



Regional Planning Policy

**REPORT OF A STUDY GROUP
LABOUR PARTY**

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ON
REGIONAL PLANNING POLICY**

LABOUR PARTY 1970

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FOREWORD

This Report of the Study Group on Regional Planning Policy is published as a basis for further discussion of the most effective methods of carrying forward the Labour Government's policies for regional development. It is not, therefore, a policy document formally adopted by the National Executive Committee, but the NEC believes that it will be a valuable stimulus to constructive thought in this important field. The report underlines the need for continuing action in the regions if the economic and social imbalance, which it is our aim to correct, is to be rectified.

As the report points out, many of the present instruments of regional policy have been in operation for a relatively short time so that it is too early to pronounce on the degrees of their individual success. Moreover, there are many advantages to be gained, not least in business confidence, from maintaining a stable policy over a period of years rather than changing incentives and chopping controls and thereby creating confusion and uncertainty. On the other hand, development must take place as problems change and further facts come to light. The analysis and suggestions contained in this report should be very helpful in this continuing process of policy formulation.

The report itself is a timely reminder of the vigorous action taken by the Labour Government in tackling regional disparities and in developing a new phase of regional policy. The designation of wide development areas, of special development areas and of intermediate and derelict land clearance areas; the introduction of regionally-biased investment grants and of the regional employment premium; the progress made with training and retraining programmes; with the decentralisation of government offices and with the redirection of public investment; the accelerated programme of new town development; the stricter operation of IDC control and the new controls over office development; the establishment of the regional economic planning councils and boards—all this adds up to a formidable programme of action.

The contrast with the preceding period of Conservative Government is clear. Moreover, when the record of the 1940s and 1950s is added to the picture, it becomes apparent that Labour Governments have traditionally given high priority to tackling the

other industries has reduced job opportunities, it also has significance for planning policies in the industrially more congested areas of the South-East and the Midlands and in the New Towns. I therefore commend it for consideration by all who believe that regional planning policy is an important field of public activity.

Transport House,
June, 1970.

HARRY NICHOLAS.
General Secretary.

PREFACE

The Study Group on Regional Planning Policy was set up by the Home Policy Sub-Committee of the National Executive Committee on 20th June, 1967, with a broad remit to examine regional development and planning policy.

The Report is the product of some twenty meetings of the group and deals comprehensively with many aspects of regional policy. Even so, it does not pretend to examine every aspect and the complex problems of the possible devolution of powers from central government to regional bodies were not within the scope of the study, although some of what is said is relevant to this question.

The group would like to acknowledge the help and advice that it has received from a number of ministers in the Labour Government and from other individuals within the Labour Party.

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CHAPTER I

THE NEED FOR A REGIONAL POLICY

- 1 The regional problem is a stubborn and persistent one, a source of waste to the country and of injustice to countless individuals and households. Statistics (see Appendix) give some idea of the variety of disparities that exist between the prosperous and less prosperous regions of the country and of the comparatively lower opportunities open to those who happen to have been born in Scotland, Wales, the North and the North-West rather than in the South or the Midlands. This is not to deny the existence of individual hardship in, for instance, the South-East; it is to assert that there are regional differences that have existed too long and that are too important to be ignored.
- 2 The complex nature of the regional problem is better understood now than in the days when unemployment alone seemed the measure of it. *Laissez-faire* theory which argued that the demand for labour could be increased and unemployment reduced by reducing wage rates in the less prosperous regions or by allowing emigration to continue has been shown to be misfounded. Money wages tend to be lower in these regions than elsewhere and there has been sustained migration and yet unemployment has still remained above average. One reason why the *laissez-faire* solution will not work is because the regional problem in Britain is not entirely one of crude unemployment. The divergence in activity rates* is at least as important. Indeed the National Plan's calculations, in line with previous ones by the National Economic Development Council, showed that the loss of output in the less prosperous regions resulting from their having lower activity rates than the rest of the country was greater than the loss resulting from their higher rates of unemployment. Once the importance of activity rates, and the common connection (with the exception of the North-West) between low rates and high dependence on old industries, is realised then the argument that increased labour mobility is the answer to uneven regional development is weakened. Mobility of the single unemployed man is very different from the mobility of a part of a family. In any

* The proportion of a given age-sex group that is employed or registered unemployed compared with the total population in that group.

case, emigration from a region will tend to reduce rather than raise activity rates within the region while, as Needleman has shown*, increasing rather than reducing the excess demand for labour and the inflationary pressures in the more prosperous regions.

- 3 Needleman argued that "whether immigration eases or exacerbates the excess demand for labour in a region depends on the extent to which the additional investment provided for the immigrants is offset by the increased savings of the community. If there is spare capacity in the business and social capital of the receiving region then a small influx of people can be accommodated with very little additional investment. A greater flow of immigration is only likely to be compatible with stable prices if, as in Western Germany, both the immigrants and the existing population have high propensities to save and, even more important, if the Government can keep its expenditure low. This was possible in Germany in the 1950s because defence expenditure was kept at a very low level compared with most other industrial countries. In Britain immigration from the less to the more prosperous regions would not take place under conditions so favourable to the maintenance of price stability. There may be some spare business capacity in the Midlands and the South but the social capital, housing, schools, hospitals, the transport system, etc., is probably over-utilised already. Unless therefore private business becomes more labour intensive and/or the Government is prepared to lower standards in the provision of public and social services, neither of which is likely to any significant extent, then there are narrow limits to the extent to which immigration can be absorbed in the prosperous areas without substantial further investment."** The consequence of this investment (in housing, education and the like as well as in business investment and times the regional income multiplier***) for a worker in manufacturing industry is calculated by Needleman

* L. Needleman, *Regional problems and the policy of attracting industry to the peripheral regions of Britain*. The Lothians Regional Survey and Plan, 1966. Vol. 1, Chap. 6.

** *ibid.* paras, 6.13, and 6.14.

*** Simply, additional expenditure in an area will increase demand for goods and services and the provision of these entails the generation of additional income in the area, which in turn generates further demand and so on. This concept has been termed the income multiplier. A similar process underlies the employment multiplier.

to increase the income of the receiving region by about three times the worker's own wage in the four years after his immigration. "Instead of reducing the excess demand for labour he has increased it by the equivalent of two jobs."

- 4 The effects of emigration do not stop with the building up of fresh inflationary pressures in the prosperous regions. They also have a deflationary effect on the less prosperous regions from which the migrants come. Even if it is only the unemployed that emigrate there will be a reduction in the income of the region equivalent to the loss of unemployment payments and social security benefits (times the local income multiplier). But migration from one region to another is always selective, at least in terms of age, and thus favours the rapidly growing community. There is, besides, some evidence to show that many of the migrants are the employed rather than the unemployed and, more than this, those in the middle class occupational groups who leave vacancies that cannot be filled by the local unemployed and whose effect on aggregate demand will be large, thus reducing the attractiveness of the region to investors.
- 5 The market mechanism will, therefore, tend to aggravate rather than remedy the regional problem and not only in employment terms. In some regions migration may have serious consequences for the provision of adequate social capital. Unless a region is to be written off, certain minimum social overheads must be provided and these rise with living standards. Most public utilities and social services require a minimum size apparatus to operate at all efficiently and, therefore, a minimum population density is required unless it is accepted that they will be permanently under-utilised and capital inefficiently used.* Conversely, in parts of the South and the Midlands, diseconomies arise through physical congestion and the overburdening of the social capital. The industrialist who locates his enterprise in these areas with the object of maximising his profits is not concerned with the public costs that may arise as a result of his decision or of the benefits that might have accrued to the community had he chosen an alternative location. His decision will affect the demand for labour in the local market and may require additional public investment in transport facilities, schools, hospitals and housing or, alternatively, lead to increased congestion. Yet the direct financial penalties accruing to the community that he has to meet in order

* See Edward Nevin, *The case for regional policy*. Three Banks Review, Dec., 1966.

to attain the supposed benefits that the site will bring him are limited to rather higher rates than he would expect to pay in most parts of the country.

- 6 Myrdal has shown that "if things were left to market forces unhampered by any policy interferences, industrial production, commerce, banking, insurance, shipping and, indeed, almost all those economic activities which in a developing economy tend to give a bigger than average return—and, in addition, science, art, literature, education and higher culture generally—would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater.

"Occasionally these favoured localities and regions offer particularly good natural conditions for the economic activities concentrated there: in rather more cases they did so at the time when they started to gain a competitive advantage. Within broad limits the power of attraction today of a centre has its origin mainly in the historical accident that something was once started there, and not in a number of other places where it could equally well or better have been started, and that the start met with success. Thereafter the ever-increasing internal and external economies—interpreted in the widest sense of the word to include, for instance, a working population trained in various crafts, easy communications, the feeling of growth and elbow room and the spirit of new enterprise—fortified and sustained their continuous growth at the expense of other localities and regions where instead relative stagnation or regression became the pattern. . . . Capital movements tend to have a similar effect of increasing inequality. In the centres of expansion increased demand will spur investment, which in its turn will increase incomes and demand and cause a second round of investment, and so on. . . . Studies in many countries have shown how the banking system, if not regulated to act differently, tends to become an instrument for siphoning off the savings from the poorer regions to the richer and more progressive ones where returns on capital are high and secure."*

Myrdal's thesis is central to an understanding of the regional problem. A poor region will tend to have a less educated population (for income and family background reasons), worse housing, a lower standard of health and a less attractive and diverse environment than a better off one. These are all part of a circular and cumulative development. Left to themselves these regions

* Gunnar Myrdal, *Economic Theory and Under-developed Regions*, pp. 26-28.

will become relatively worse, not better off. The problem can be tackled from a number of points. For instance, a more prosperous economic base will lead to higher incomes, environmental improvement, higher standards of housing and health, improved communications, and so on. Equally, action to improve the environment or to give special help to education or housing in these areas may help the development of a more prosperous economic life.

- 7 It is as well to bear in mind that the regional problem in the UK is only part of a very much larger problem. The gulf between the rich and the poor countries, or regions, of the world is governed by very much the same process, and many of the under-developed countries have internal regional problems that are very much more serious than those of the UK. These internal inequalities at once result from the international inequalities between countries and contribute towards them. The cumulative process, if not regulated, causes increasing inequalities in a regional sense just as it does in the still wider problem of inequalities between individuals and social groups in society. The rich become richer in relation to the poor. Yet, while remaining aware of this wider context in which the regional problem can be viewed, it is important to remember the problems that our less prosperous regions have to face as a result of their older industrial structures, and to appreciate the opportunities for regional development within an advanced economy of 50 million people and the benefits that could result.
- 8 It is because a region cannot compete successfully that it has a stagnating economy. One object of a regional policy is to enable investment to take place despite the fact that market forces and private business calculations would not permit it. The cumulative process promises final effects of much greater magnitude than the costs of instituting such a policy and, in this way, the results are a demonstration of the "waste" that previously existed. Yields beyond the expected money return to the private or public organisation having made the investment will result in the form of the value of external economies that are provided to other enterprises, the value of an increasing number of trained workers, of higher standards of health, education and culture and of a generally higher standard of living.
- 9 The regional problem can, therefore, be seen as a dynamic rather than a static one. If there is not growth in the less prosperous regions there will be a relative decline, and there will not be growth without substantial government help. But, of course, the

problems of economic and physical planning are inter-connected. Production units have to be located in a physical as well as an economic space. A natural increase in a region's population or the migration of people from one region to another creates a demand for houses, schools, hospitals, transport and recreational facilities, all of which have physical as well as economic implications. The 25 years from 1966-91 could see an increase in population of anything between 5 and 13 million in Great Britain.* If the present migration rate of about 650,000 per decade from the less to the more prosperous regions continued, there could be, on the high estimate, a population growth in the less prosperous regions of between 3 and 4 million by 1991 with the more prosperous regions increasing by 9 million or, on the low estimate, a virtual standstill in the population of the less prosperous regions with some of them actually declining.

- 10 Regional policy is therefore important in terms of land-use planning and the development of the environment. There are great temptations to take the easy way out by disposing of new development in a peripheral spread round existing towns, by siting new towns in areas where industry considers it can gain a short-term competitive advantage, by skimping on the provision of public utilities and social services, by ignoring quality for the sake of quantity and by overlooking the long-term needs of the environment. The choice is between strict and imaginative planning of the use of land or the destruction of our environment, between the conservation of the best soils, of forests, trees, landscape, coastline and wild life, and the protection of what is best in our city tradition on the one hand; and the unthinking destruction of this to meet short-term emergencies on the other. To save the best of our environment demands, first, strict control over the location of major growth, bearing in mind the national distribution of population, the economic potential of certain areas for certain types of growth and the increasing importance of protecting high grade agricultural land and, second, a much more thorough planning of all aspects of the new development. The location of industry must be planned together with the provision of water and power, housing, transport, educational and recreational facilities and facilities for the efficient disposal of domestic and industrial waste. The aim should be to create a pleasant as well as an efficient environment which in many cases

* W. F. Luttrell, *What Kind of Regional Balance?* Papers on Regional Planning, Town and Country Planning Association, 1968.

could actively enhance the existing environment. Urban sprawl is neither conducive to a pleasant environment nor, if it adds to congestion or builds up social pressures on individuals, is it even economically justifiable. Although urban development requires more land, "the actual quantity is not so vital as the quality and location of the land taken and whether the development is designed in harmony with the natural environment. . . . We can afford to build houses and factories on poor land; it is unlikely that we can afford to put them anywhere else."*

- 11 There is a further argument for a regional approach to land use besides the need to conserve our natural resources, protect good agricultural land, prevent further congestion and provide better employment opportunities in the less prosperous regions. It is, as the report of the consultants responsible for examining the feasibility of a new town in Mid-Wales put it, that "in a country of only 93,000 square miles whose population is expected to exceed 70 million by the end of the century, no area of utilisable land as large as Mid-Wales should be permitted to go out of use or be under-used . . . and it might be better to maintain and perhaps improve the social capital now existing in Mid-Wales rather than allow it to deteriorate with the prospect of much more costly renewal when the time for expansion into the area comes."** The argument is, of course, applicable to other regions of the country.
- 12 To conclude, there is a need for a strong regional policy with four main aims:
 - (a) To stimulate national economic growth by exploiting the advantages of each region to the full and increasing economic activity in those parts of the country that are free from labour shortage and congestion, thus contributing to national economic growth with a minimum danger of inflation or increased demand for imports.
 - (b) To foster the development of the less prosperous regions of the country so that work is available for those who live there and households are not forced to split up in the search for work; so that the standard of living in these regions is raised by increased economic activity and so that in times of economic difficulty the incidence of unemployment is not concentrated over-heavily in these regions.

* Robert Arvill, *Man and Environment*, pp. 87 and 71.

** *A new Town in Mid-Wales*, HMSO, 1966, para. 3.8.

- (c) To achieve a better allocation of public investment both between regions and, within regions, between different sectors of expenditure.
- (d) To plan, in economic and physical terms, for an increasing population, and to ensure that this is so distributed geographically and industrially that the advantages of economic growth can be equitably enjoyed.

The next section looks briefly at the progress that has been made in regional development and planning so far.

CHAPTER II

PROGRESS SO FAR

- 13 It is evident from an examination of the measures that have been taken by governments in the past that the present Labour Government has made a more serious attempt to remedy the regional problem than any other government since the post-war administration. This is true in terms of the priority given to development area measures and of the determination to develop new forms of regional planning.

Development Area Policy

- 14 The main aim of development area policy is to encourage industry to locate in the less prosperous regions of the country and thus to raise the level of economic activity so that unemployment and migration are reduced and activity rates raised. As thinking about regional policy has advanced it has been recognised that this will also contribute to stable national economic growth and help to check worsening congestion and labour shortage in the prosperous regions.

Its main instruments consist of a combination of negative controls and financial inducements together with measures to encourage the improvement of the environment and infrastructure of the development areas where this will assist industrial development (see Appendix). The industrial development certificate (IDC) and office development permit (ODP) systems, provide the main negative controls. Investment grants for approved expenditure on new plant and machinery at twice the rate available in non-development areas, building grants, advance factories for rent or sale at moderate rates, general Ministry of Technology loans and grants, and the Regional Employment Premium are the chief financial inducements. Grants for derelict land clearance and towards training costs are the main measures under the third heading in terms of specific development area policy, although the general distribution of grants and funds to local authorities and the overall direction of government investment programmes do, of course, play an even more important part in this process. The rate support grant, introduced in the 1966 Local Government Act can, for instance, be an equalising measure of the first importance.

The cost of preferential government assistance to industry in the development areas has increased sharply from £17 m. in 1963-64 to £270 m. in 1968-69. Most of this expenditure goes, of course, to private industry.

- 15 The results of this renewed concern with regional policy have been impressive when the changes that have taken place in the industrial structures of the less prosperous regions are taken into account. In the Northern region, for instance, 100,000 male jobs have been lost in the past seven years. In 1959 25 per cent of Durham's male employees worked in coal. This year the figure is a little over 13 per cent. Yet unemployment in the region has been brought closer to the national average. In November, 1969, the unemployment rate was 1.9 times the national rate whereas in November, 1964, it was 2.1 times this figure. In the North-West, employment in the cotton textile industry halved between 1956-66 and engineering, vehicles and metal manufacturing industries now provide twice as many jobs in the region as do textiles and clothing. This is evidence of the change that has taken place in the industrial base of the region. Yet the unemployment rate in the Merseyside development area, which was $2\frac{1}{2}$ times the national average in 1964, had fallen to 1.4 times the national rate by 1968 and in the North-West region as a whole the unemployment rate in November, 1969, was only fractionally higher than the rate for Great Britain whereas in November, 1964, it was 1.2 times the national rate. Unemployment in Wales was 1.7 times the rate for Great Britain in November, 1969, the same ratio as in November, 1964, but, between July, 1966, and November, 1969, unemployment in Wales increased less fast than that for any other region except Scotland. There, during the past three years, unemployment has been around 1.6 times the UK average, the lowest for more than 15 years and comparing with 2.2 times the UK rate in 1964. At the same time net outward migration from Scotland is at its lowest for ten years—during 1968-69 net migration from Scotland to other parts of the UK totalled 11,000 (compared with 24,000 in 1963-64) and net migration overseas amounted to 14,000 as against 16,600 in 1963-64.

Taking Scotland, Wales and the Northern region together, more than 300,000 jobs were lost in mining, agriculture and ship-building alone in the decade 1956-66. Coal mining now employs 100,000 fewer in the development areas than in 1964. Yet, since 1966 and in a context of national balance of payments difficulties, unemployment has increased less fast in these regions than it has in the country as a whole. It is still much higher than any Labour Government can regard as satisfactory but the development

areas have been shielded to some extent from the worst effects of deflation at the same time as their economic base has undergone a major modernising change. What the situation would have been had regional policies not been strengthened is impossible to calculate but few can doubt that it would have been seriously worse.

- 16 It is also justifiable to point out in defence of the efficacy of present regional policies that a number of them have been operating for a relatively short period of time. Investment grants were first paid in the last quarter of 1967 and both the Regional Employment Premium and the Special Development Area measures* were introduced only in late 1967. It can be expected that their effects in the next few years will become more rather than less evident.

Even more recent has been the designation of "intermediate areas" under the 1970 Local Employment Act. This represents a new phase of regional policy in that assistance is being provided to suit the particular needs of areas whose problems are by no means as serious as those of the development areas but whose growth is being inhibited by obsolescent buildings, unattractive environmental conditions and certain other specific factors, including the difficulties which may arise when such an area adjoins a development area with its range of inducements. Action now will prevent the emergence of more intransigent problems later. Besides this, additional help in tackling the particular problem of derelict land is being extended to certain "derelict land clearance areas" outside the development and intermediate areas.

- 17 IDC control, reinforced by ODPs, has played an important part in forcing firms to consider development area locations rather than their traditional Midland or Southern sites. Operated by a Labour Government with more energy than under previous administrations, it has helped the development areas to increase their share of new industrial building in relation to the rest of the country. Scotland, Wales and the Northern region have in the past three years obtained more than a quarter of all IDC approvals compared with a sixth in the period 1961-64 and, in 1968-69, the development areas as a whole obtained a third of

* Special Development Areas are localities that have been particularly hard hit, usually as a result of colliery closures. In these areas some additional incentives are given over and above those available in the development area as a whole.

total IDC approvals. The effectiveness of IDC control is, however, limited in the sense that it can only attempt to influence the location of a firm if the firm in question wishes to move or to expand. Also, in common with most of the financial inducements, IDC control cannot select the type of industry that may be required in a certain location. This is a fundamental drawback if, for instance, growth complexes are to become an important part of regional policy.

- 18 A few examples of other forms of aid to the less prosperous regions may be cited. For instance, the advance factory programme has been greatly expanded. Between October, 1964, and April, 1970, 221 advance factories were authorised in the development and special development areas, whereas during the previous 13 years the number authorised was only 49.

Action has been taken to expand the training and retraining programmes. The number of Government Training Centres in the development areas has been increased from 10 in October, 1964 to 21 this year, and the number of places from 1,341 to 3,940. By 1971 there should be 26 GTCs with 5,600 places in the development areas. Besides this, the rates of grant paid to new or expanding manufacturing firms in the development areas who themselves undertake the training of additional workers were doubled in October, 1967. This has led to greatly increased use being made of this form of assistance. Whereas between September, 1964 and March, 1966, only 528 applications for assistance were made and £83,000 paid out in grant, more than 1,000 applications a year are now made at an annual cost of over £2m. Some 40,000 workers in the development areas are now being trained for new jobs with the help of these grants.

Progress has also been made in the equally important field of management training and with providing a wide range of consultancy and technical advisory schemes for industry. Some of these services are highly specialised and based on various research and development establishments and educational institutions. Others of a more general character are provided regionally and intended primarily to meet the needs of the small or medium-sized firms which are trying to improve their efficiency by adopting modern processes and techniques. All these services are quietly and effectively promoting better standards of management and attacking technological obsolescence.

Similarly, progress with the reclamation of derelict land has accelerated dramatically since the 1966 Industrial Development Act extended to local authorities in the development areas the

85 per cent Exchequer grant* that had previously been available only in the small development districts, and since the 1966 Local Government Acts enabled grant at 50 per cent to be paid for clearance schemes in non-development areas. During the five years 1960-64 only 31 schemes, covering 370 acres and costing £525,000, were approved in England. During the subsequent five years (1965-69), 232 schemes, covering 3,953 acres and costing £5.5m. have been tackled. There are at present a further 2,000 acres of grant-aided schemes on which work is either in progress or expected to commence shortly, and this is likely to increase as a result of the 75 per cent rate of grant introduced in the 1970 Local Employment Act for reclamation in the new intermediate and derelict land clearance areas.

In Scotland, 25 schemes covering 195 acres and costing £253,000 were approved between 1960-64. In the subsequent five years 72 schemes covering 1,118 acres have been approved at a cost of £2.2m.

In Wales, only 4 schemes covering 100 acres and costing £34,000 were approved between 1960-66. Since the establishment at the end of 1966 of the Derelict Land Unit in the Welsh Office the situation has been transformed and between January, 1967, and April, 1970, 66 schemes covering 1,580 acres and costing £3.4m. received approval.

The Regional Economic Planning Machinery

- 19 The establishment of regional machinery during the early months of the Labour Government to cover the whole of Great Britain (and, in a slightly different way, Northern Ireland) was an important achievement. After a long period, dating back at least to the 1930s, in which governments had from time to time been forced to take special action to alleviate acute unemployment in the less prosperous areas of the country, this demonstrated that a government had at last come to understand regional *planning*. This was not merely sporadic and uncoordinated action to bring down unemployment rates beneath a certain percentage; it was not just an attempt to get an element of cooperation between the regional offices of central government departments: it was the beginning of a genuine attempt at regional planning.

* Grant can be as high as 95 per cent if the assistance given in the resources element of the rate support grant is included.

An economic planning council and board was established in each region—the prosperous as well as the less prosperous. The council, a novel type of body with its members drawn from local government, industry, trade unions, the universities, etc., but with ties to the region and knowledge of it, was given wide terms of reference. These amounted to concern with the total welfare of the region—not only with the present state of employment, but with the associated provision and standard of housing, education, health and hospital services, transport facilities, the need for urban renewal, the siting of overspill population, relations between industry and the universities, and so on. The council thus brought together the economic and physical aspects of planning. Moreover, it was charged not only with examining the present structure of the region, but with providing the government with a regional assessment of proposed (or existing) government policies, and with studying future developments and needs in terms of population, jobs, housing, and so forth.

The economic planning board, grouping together the regional officers of central government departments working in the regions, was to help the council in its task, besides ensuring coordination between the plans of the various government departments at regional level. It was hoped that a new type of official with his loyalty primarily to the region, would emerge.

- 20 This was, therefore, a completely new departure in regional policy with an exciting future. It is true that there were doubts from the start about the advisory and non-elected nature of the councils, but it was generally accepted that there was little alternative. An elected body superimposed on the existing structure of local government would have had little chance of success. Without being elected, the councils could scarcely have been given executive powers. Yet, as long as central government took them seriously, consulted them as of habit, listened to their advice and gave good reasons when it followed a different course, something would have been achieved and, despite their non-elected nature, there was no reason why democracy should not have been extended, rather than limited, by the process.
- 21 The regional planning machinery in practice has done a useful but unspectacular job of work. It has neither justified the best that was hoped of it nor lived down to the worst expectations. The studies that have been produced for all the eight English regions and for Scotland and Wales are valuable, and some of the councils are now moving on to still more important work. Some of the councils have been more active on the physical

planning side than was to be expected and it has not been easy for the councils to develop fully the economic planning aspect of their work but, in the context of the difficult economic situation, devaluation and the occurrence of the low point of the business cycle at a crucial period in the councils' work, this was perhaps understandable. It was also originally hoped that the regional studies could be fed into a national plan and coordinated through it, although it is arguable that the (medium-term) time-scale of a national plan is in many ways incompatible with the longer term tasks of the planning councils. The situation has presented real problems for successful regional planning. For instance, without an examination of the projections for expanding industry and an assessment of footloose industry, together with its changing nature, manpower forecasting is largely a matter of guesswork.

- 22 The morale of council members has had its ups and downs. Some government departments (for instance, the former Ministry of Health and the Department of Education) seem to have remained unaware of the fact that they have a regional role. Others have sometimes failed to grasp the need for consultation with the planning councils well in advance of reaching policy decisions. With some exceptions (BRB followed by the NCB) the nationalised industries were also slow to discuss their plans for investment, manpower and the location of their production facilities with the planning councils before reaching the decision stage. The need to be able to plan sufficiently far in advance to offset the consequences of changing policy in our basic industries makes it essential for all Ministers to use the regional machinery continuously as part of their normal departmental practice.

More recently some encouraging developments have taken place and the morale of the councils has improved as a result of determined government efforts to develop consultation on a variety of matters—regional implications of future public investment, intermediate area boundaries, the regional effects of defence rationalisation, regional air services, the Green Paper on roads, and so on. The councils have also had their successes in terms of having recommendations made by them accepted, in the firm programmes of government departments. They have also managed to impress the need for regional planning upon local authorities and other bodies which were previously unaware of the part they had to play, although on the physical planning side an element of competition has entered into relations between the planning councils and local planning authorities over the question of responsibility for longer term strategic planning.

- 23 Initially, perhaps, some councils were a little too much concerned with short-term contingencies rather than longer term planning but, all in all, they have succeeded in preparing the ground for regional planning to develop in the future. Credit is also due to the DEA which encouraged departments to make use of the regional machinery for purposes of consultation and also brought a regional viewpoint to bear in the process of departmental decision-making. For instance, government offices and public agencies—the Inland Revenue computer centres and PAYE centres for example—have been firmly encouraged to choose development area locations. In fact, most of the peripheral office locations are government offices, and government offices decentralising from London move further than private offices and tend to move to the development areas.*

The existence of a central department with a specific regional planning remit also helps to explain the way in which a greater share of public investment in new construction has been allocated to the less prosperous regions (see Appendix). In terms of total UK public investment in new construction (housing, roads, fuel and power, hospitals, education, and so on), the Northern region increased its share between 1965-66 and 1968-69 from 5 to 6.9 per cent, the North-West from 9.8 to 10.6 per cent, and Scotland from 13.4 to 13.8 per cent, while the South-East's proportion of the total fell from 30.9 to 29.7 per cent and that of the West Midlands from 9.5 to 8.9 per cent. In terms of expenditure per head of population the Northern region received £25 in 1965-66 and £48.1 in 1968-69, the North-West £24.1 in 1965-66 and £36.8 in 1968-69, Wales £36.7 and £44.4, Scotland £42.9 and £62.2, and Northern Ireland £35.1 and £51.3. The UK average was £30.3 in 1965-66 and £42.3 in 1968-69. A substantial redirection of investment in accordance with the priorities of regional policy has therefore taken place over this comparatively short period.

- 24 Under the recent machinery of government changes, the central responsibility for regional policy lies with the Secretary of State for Local Government and Regional Planning. The Secretary

* One survey showed that only 11.4 per cent of private offices moved more than 90 miles from London whereas 50 per cent of government offices did so. 75 per cent of the decentralised government office jobs had moved to the provincial planning regions compared with 10 per cent of the jobs represented in private office movements from London. P. W. Daniels, *Office Decentralisation from London—Policy and Practice*. Regional Studies 3. 171-178.

of State has overall responsibility for regional economic and environmental planning, including the work of the regional economic planning councils and boards. The Minister of Technology is now responsible for the industrial components of regional planning, having acquired the distribution of industry functions of the Board of Trade and the regional industrial development functions of the former DEA.

Together with the Secretary of State's responsibilities in relation to the work of the Ministry of Housing and Local Government and the Ministry of Transport, this restructuring at governmental level provides a new and better basis for the development of regional and local planning in a way which articulates the economic, the physical, and the social elements. It is now seen to be unreal to try to distinguish between "economic" and "physical" planning when the objective is to help each region to make full use of all its productive resources, including land. Already, there is developing much closer and more effective cooperation between the planning councils and local planning authorities in bringing together these elements.

- 25 The position of the planning councils between central and local government has never been easy, but is now perhaps still more awkward as a result of the coming reform of local government, the local government-based provincial recommendations of the Royal Commission on Local Government in England and the spate of somewhat vague plans for administrative devolution, decentralisation, or self-government for Scotland and Wales. The motives behind these schemes have been various. A feeling of remoteness from the decision-making centres has certainly been present as has the impression that central government is not aware of varying regional conditions to a sufficient degree. The fact that a government that so clearly believes in the importance of regional policy and which has implemented so many important measures has nevertheless been unable fully to solve the problem may also have added to the sense of frustration.
- 26 While giving full credit to the Government for its achievement in terms of regional policy it is clear that there remain serious difficulties to be overcome. Unemployment still bears heavily on the less prosperous regions—the percentage rate for wholly unemployed in the development areas during 1969 averaged 4.1 per cent compared with 2.4 per cent for Great Britain. The cycle whereby the less prosperous regions are the first to suffer in an economic recession and the last to benefit in a boom has certainly been dented—perhaps largely as a result of REP—

but not yet broken. Second, planning at the regional level has not developed to the extent that was hoped in 1965. The potential benefits of bringing together physical and economic planning at this level and of developing other aspects of regional planning are still there to be gained if a satisfactory way of integrating regional planning machinery into the chain of central-local government can be found. It is also at the regional level that the various action programmes initiated by central government could be coordinated so that the full cumulative effects stemming from the interaction of these different programmes could be achieved. This again raises the question of the type of regional body required and the powers that central government is prepared to give to it.

The next sections examine how regional development could be more effectively secured and how the necessary elements of regional plans, containing a much greater industrial content, could be established both in order to improve national economic planning and to help tackle the regional problem.

CHAPTER III

POLICIES FOR REGIONAL DEVELOPMENT

Influences on Industrial Location

- 27 To enable regional policy to become more effective it is clearly important to establish what are the main factors that influence location decisions. This is also necessary if bad location decisions are to be avoided, which is particularly important when the influence that one location decision may exert on subsequent ones is considered. Colin Clark, for instance, quoted an American investigator in the Chicago area who found that 20 location decisions by major retailers would control the location of 20,000 other retailers for the next 25 years.* One firm in making a decision accepts as datum the location of others whether or not they are optimal. Some firms do have special requirements. The paper industry, for instance, needs large quantities of pure water, heavy chemical manufacturing also requires water in large quantities and facilities for effluent disposal on a large scale but, on the whole, the meeting of essential physical and labour requirements will merely act as a first screen in selecting a suitable location.

Industry has become less tied to particular locations as water power and steam have been superseded.** This has made regional planning at once necessary and possible, and has made such factors as transport facilities as much a cause as a consequence of industrial location. Despite this development, are particular industrial activities still economically suited to particular areas? If this is so, then the potentialities and advantages of areas for particular types of activity must be analysed and something approaching regional specialisation could evolve. If it is not so, and the attractiveness of an area depends on other factors, say the growth of an industrial complex (built up irrespective of natural advantages), then policy will be quite different.***

* Colin Clark, *Population Growth and Land Use*. pp. 281-2.

** While for convenience we refer to "industries" throughout this section it should, of course, be remembered that the basic unit of movement is the firm and the situations of each firm are to some extent unique.

*** See also paras. 63-65.

- 28 The attractiveness of a region for industrial or commercial investment depends (a) on the demand for goods and services that it generates itself; (relatively low income or demand or, similarly, high migration or high local taxation all make an area less attractive to a businessman and call for public services, e.g. for the elderly, which do not bring external economies to industry and commerce); (b) on the ability to produce goods and services demanded by other regions and other countries, thus maintaining the purchasing power of the region.

As long as the intra-regional flow of output is maintained, personal income levels need not actually fall even if much new industry is capital-intensive. But, as Myrdal has pointed out,* if market forces are unhampered, all activities which tend to give a bigger than average return (activities other than business ones included) tend to cluster in certain localities and regions.

- 29 Transport costs have often been cited as a reason why firms cannot locate in the more remote areas without adverse financial consequences, but it has been fairly conclusively shown that for most types of industry these are of minor importance when comparing the total costs of alternative locations and a part of the reason for this must be that the suppliers and customers of many firms are widely dispersed. Besides this, as a large proportion of transport costs (e.g. terminal equipment, loading and unloading) are fixed, the difference in costs between varying locations is not simply proportionate to distance.

The survey of firms operating on industrial estates in Scotland published in the Toothill Report on the Scottish Economy** showed that more than half the firms had total transport costs not above 2 per cent of turnover. In another Scottish Council survey firms expected to be especially conscious of any transport handicap were selected and 85 per cent discounted additional transport costs as a factor of importance. Luttrell's study*** also found extra goods transport costs to be only 2 per cent of

* Myrdal. pp. 26-28.

** *Report on the Scottish Economy*. Scottish Council, 1962. pp. 72-75.

*** *Factory Location and Industrial Movement*. 1962. These figures refer to the additional costs incurred at the new factory over and above those incurred on similar output at the parent factory, expressed as a percentage of the branch's operating costs.

total operating costs, with other travel and communication costs amounting to a further $1\frac{1}{2}$ per cent of total costs. Heavier categories of manufacture had no higher extra costs than lighter.

It is nevertheless possible that many managers hold an exaggerated view of the extra transport costs that would result from a move to a seemingly more remote location. Eversley gives an example of transport costs being put forward "as a reason why a particular firm with a weekly turnover of some £10,000 could not move to a new location 40 miles from its existing headquarters when the nature of their precision engineering output was such that raw materials and finished products could be carried once a week in the back of a 15 cwt. van."* The possibility of quick and reliable goods transport is probably at least as important as cheapness to most firms, and this is probably true of personnel transport also—especially in the case of managers and supervisors.

- 30 Other factors, such as a generally unattractive and drab environment with poor housing, large areas of derelict land, air and water pollution, below average provision of social services, shopping facilities and attractive residential areas and so on, may also discourage investment, not only because managers may consider a higher standard of facilities necessary in the interest of the firm but because, in taking decisions on location, they are taking decisions that may affect the personal lives of themselves and their families. As the divorce between ownership and management becomes more common it becomes increasingly important not to assume that the maximisation of profits is the sole concern of the managers who take location decisions. The availability and standard of housing and schools, stores and restaurants, clubs, hotels, theatres, entertainment and recreation centres will all be important factors. Good transport links (including air services) may sometimes overcome the objections of key staff and their families against moving to "drab" areas.
- 31 It is interesting to note that American-based firms seem much more ready to choose "distant" locations—possibly because they are more concerned with profit maximisation, and possibly because UK distances seem very small to them. A Board of

* D. E. C. Eversley. *Social and psychological factors in the determination of Industrial Location*. Papers on Regional Development (supplement to the *Journal of Industrial Economics*), 1965. p. 105.

Trade survey into the movement of manufacturing industry between 1945 and 1965 found that moves originating abroad went primarily to the "peripheral areas"—roughly equivalent to the present development areas.

Of the 870,000 jobs estimated to have arisen from moves, 438,000 went to the peripheral areas and foreign firms supplied 77,000 of these compared with the 115,000 from the Greater London area—the chief exporter. The peripheral areas accounted for more than 70 per cent of the jobs arising from moves by foreign firms. Movement from abroad accounted for very nearly half the employment attributable to movement into Scotland—46,000 out of 95,000—and for almost a quarter of that into Northern Ireland.* The absence of a pool of skilled labour, whether unemployed or employed, may also have the effect of discouraging investment as it is probably true that businessmen feel more secure when they know that their key men can be replaced in an emergency by drawing on similarly qualified personnel within the vicinity even if this does entail bribing them away from other firms. Nevertheless, it can be argued that all these factors derive from the level of aggregate demand.

- 32 There is obviously a distinction to be made between the decision to move away from an old location and that to move to one site rather than another. In an article** on industrial location based on a survey of 200 firms originally located in Birmingham, B. J. Loasby found that the initial stimulus to relocation more usually came from the "exporting" than the "importing" area. He thought it unlikely that many firms could be won over to a move by demonstrating the advantages of another location unless they were faced with some particular and pressing difficulty in their existing site. The most common of such difficulties were:

- (a) that the existing premises were inadequate to cope with growing demand;
- (b) that they would soon no longer be available;
- (c) that they were becoming a serious hindrance to efficiency.

The incidence of these factors in the Birmingham survey was 4:2:1. Once a firm began to look for a new location its normal inclination was to look for one as close as possible. If this was

* *The Movement of Manufacturing Industry in the U.K., 1945-65*. BoT, 1968, paras. 53-55.

** B. J. Loasby, *Making Location Policy Work*. Lloyds Bank Review, Jan., 1967.

not possible, then it would look gradually further afield. Even when virtually compelled to choose a development area, it was the closest one that was first considered. More distant locations came to be considered only if impediments were thrown in the way of closer ones.

- 33 Loasby found that the "firm which uses a check-list of attributes to evaluate a number of sites is very rare indeed in Britain." Relocation often occurred in a rush, with initial problems and costs—e.g. loss of production, cost of removal—being regarded as the most important. Inducements with a large initial impact and which economised on managerial time and effort were therefore thought to be the most effective.

It is possible that Midlands industrialists may not be typical in this respect of those in the country as a whole, but the main point is supported by the findings of Luttrell's classic examination of the subject: "We should have liked to have given an example of a classic case of location choice in which operating-cost estimates were made for two or more possible places, all imponderables or non-cost factors assessed and then a way found of comparing the good and bad points of one place with those of the other. Unfortunately, we have not been able to find such a case."*

The Hunt Committee came to a similar conclusion: "We have also, in the course of our enquiries, talked with a large number of industrialists in large, medium and small firms throughout the country and we are concerned that the quality of many firms' investment decisions is not as sophisticated and thorough as would be desirable. This reflects a number of factors—notably the fact that major investment decisions are taken relatively rarely by a large number of firms, so that they lack experience and expertise; and the speed with which decisions sometimes have to be taken. But, given the requirements of the development areas and the relative inexperience of many firms in evaluating fully the merits of alternative locations, there is in our view a continuing need for a positive location policy."**

- 34 Moves more often take the form of the setting up of new branches than of "lock, stock and barrel" removals, but the need for a careful choice of site for a branch is equally important even though they tend to be more susceptible to closure than parent

* *Factory Location and Industrial Movement*. Vol. 1, p. 79.

** *The Intermediate Areas*. 1969. Cmnd. 3998, para. 358.

or independent concerns. Branch closures are typically caused by the emergence of spare capacity at the main works resulting from increased productivity or declining demand. In such circumstances, even if the branch is the lower-cost unit, its closure is inevitable as fixed overheads can be avoided at the branch but not at the main works. Financial weapons could be devised to reduce branch closures but Loasby considered that "the prospective ease of withdrawal is one of the inducements to venture into these districts—fewer branches might be closed, but fewer might be opened."

- 35 Loasby considered his survey to bear out the argument that the major advantages of a particular location depend on "external economies", deriving not from a specific geographical position but from the stimulus given by a group of firms to the development of facilities which benefit all of them—including a tradition of factory employment in the area and the availability of local ancillary industries. Some new locations were sufficiently developed to possess external economies of their own, and the influx of new firms began in time to generate new economies. With the training of labour the distinction was often made between the initial training problem and the quality of the workforce after training which, in some cases, was higher than in the original location.

The main diseconomies of the original location (i.e. the advantages of the move) were found to be traffic congestion and the scarcity and consequently high price of labour. Other benefits stemming from the move were new and better laid-out premises as a result of the easier availability and lower cost of land; and the stimulus provided by the move to evolve better working methods and increased efficiency—although these could have been achieved in the old location. For instance, transport schedules were often not thought necessary when in close proximity to suppliers or customers but their absence must have been expensive.

- 36 Investment and building grants, REP and the other inducements offered to industry to locate in the development areas are an important factor in influencing the location of firms. An inquiry conducted by the Board of Trade for the Hunt Committee showed that 70 per cent of firms in the survey that had been attracted to development areas rated government inducements as a major factor, and another 15 per cent as a minor factor, in their decision.

Some firms might move to development areas whether or not incentives were available, but it appears undeniable that most

would not. Exactly how one could ascertain which firms were intent on a development area location irrespective of whether they received investment grants or not has never been made clear, and that some firms might be in that position is not a valid reason for a wholesale scrapping of investment grants and REP as proposed by the Conservatives. It is certainly no reason for a return to investment allowances. (See para. 86.)

- 37 It is often alleged that government intervention in industrial location may cause firms to go for short-term advantage to areas where their chances of long-term success will be reduced.

The BoT enquiry into the movement of manufacturing industry gives some interesting information on the performance, in 1966 employment terms, of manufacturing companies that had either transferred or set up branches between 1945-59 in one of the 50 sub-regions of the UK other than the one in which they were originally located or, in the case of foreign firms, in any of the 50 areas.

During 1965-66, the manufacturing sector as a whole reduced employment by 1.7 per cent. Employment in establishments which had moved between 1945-51 remained virtually unchanged. Moves made between 1952-59 increased employment by 1.5 per cent. Both groups, therefore, fared better in terms of employment than the manufacturing sector as a whole. In the case of 1945-51 moves, about half of the superior performance could be attributable to the fact that industries growing nationally were rather better represented than in the country at large, and declining industries less well represented. In the case of 1952-59 moves about a quarter of the effect could be attributable to more favourable composition. In both cases, therefore, the establishments concerned apparently fared better on average than the industries to which they belonged and, as 64 per cent of employment in the first batch of moves, and 29 per cent of that in the second, was in the peripheral areas, there is some evidence that industrial performance has not been retarded by the location of these companies.

- 38 Recent research* has also shed some light on a second question—whether industries of whatever kind tend to grow more slowly in certain regions than they do in others, or whether the slower rate of both employment and output growth in the less prosperous

* *Regional Problems and Regional Policy*, National Institute Economic Review. Nov., 1968, pp. 42-51.

regions is due to other factors. It was estimated on a calculation of the variation in GDP between regions* that differences in the level of activity and unemployment rates and in the pressure of demand for labour explained half or more of the inter-regional variations in average output per person of working age in Britain. There were also benefits from having an above-average size of establishment in certain industries. Thus, although there was significantly low or high performance in manufacturing industry in certain parts of the country by particular industry groups, this was not the over-riding factor.

The National Institute also analysed the reasons for variations in the growth of employment between regions to find out whether slow growth in a region was due to a preponderance of industries which are slow-growing nationally, or to the fact that it was a place where all industries tended to grow more slowly than elsewhere. It found some evidence to support both these hypotheses and also noted a tendency for regional specialisation in an industry to be associated with a better than national employment growth of it, but it concluded that "there is a stronger tendency for some industries to grow fast and others slowly wherever they may be than there is for some regions to have a good record of growth and others a poor one across all industries.**

39 The following conclusions can be drawn from this:

- (a) some means should be devised to make firms recognise the inadequacies of their present site and premises and the diseconomies of the location;
- (b) firms should be encouraged to conduct a full evaluation of possible new sites;
- (c) complete rather than branch transfers are obviously the more valuable but, as much industry moving to development areas will inevitably be branches of firms located elsewhere, encouragement should be given to attracting those with a measure of independence rather than mere overspill production units;
- (d) government action could be more concentrated on selected areas and selected industries within the area (but see paras. 84-85).

* In 1961 total GDP per head of total population varied from 111 per cent of the national average in the South-East and 108 per cent in the Midlands to 86 per cent in Scotland and 65 per cent in Northern Ireland.

** NIER, p. 48.

- 40 The importance of external economies is also clear from the above discussion. External economies depend on the growth of an inter-relationship between firms in an area. Activity breeds activity and the process extends into the provision of national and local transport facilities, housing, social services, and the presence of a trained work-force. Employment opportunity is boosted, migration of the young and the skilled is less likely, jobs for women more likely. This helps to raise aggregate demand, to promote other activities and to increase the attractiveness of the area for investment.

Are present government measures capable of creating complexes in which external economies are generated? Can they create complexes which ultimately become attractive for investment without being so in the first place? How can they overcome the initial disadvantages which make the area unattractive? As Ken Alexander has pointed out:*

"In regions of self-sustaining growth such as the English Midlands infra-structure has developed in response to particular industrial growth, so that a specialised infra-structure has grown up, yielding substantial external economies to local industries. If the process is to work in reverse, infra-structure inducing industry rather than industry shaping infra-structure, attention has to be paid to the industrial pattern it is intended to produce."

The industrial planning content of regional planning must be increased and improved. Growth complexes cannot be created by designation: only by an examination of the characteristics of the new industries which would be best suited to each particular one. This implies selection—of areas, industries and forms of aid.

- 41 As in other fields of policy there is a distinction in regional policy between selective measures developed with the aim of advancing planning techniques and securing more predictable results from the resources employed, and the use of the term "selectivity" as a euphemism for withdrawing help and saving money. This report has argued that it would be a profound mistake to relax efforts to solve the regional problem and a false economy to cut the funds devoted to regional aid. One should nevertheless examine possible methods of strengthening regional policies through more positive planning and more direct action.

* *Theory, empiricism and regional economic policy*. The Technologist, 1964, p. 128.

Information, Statistics and Techniques

- 42 For selection in this sense to become possible the range and consistency of statistical information needs to be increased and the techniques based on its availability developed.

In the context of regional policy, statistics are necessary for three main purposes:

- (a) to highlight disparities between regions and to reveal the existence of conditions that restrict economic growth and limit opportunities;
 - (b) to provide some measure of the effect of regional policies in action;
 - (c) to enable new policy techniques to be adopted.
- 43 The first two aims have largely common needs, and it is an insufficient supply of reliable, comparable data—rather than an absence of necessary techniques—that prevents them from being met. Thus there are no regional accounts of GDP to show the output and the income of a region in relation to the nation and, consequently, no means of ascertaining whether regional differences in economic performance have been the result of structural and natural resource differences, differences in performance of a few important industries or of “differential dynamism”—as would be possible if GDP were broken down by industry as well as region. Similarly there are no statistics available on a regional basis to show output per head, industrial investment in the main sectors, labour availability, consumption, savings, imports, exports, prices, costs or the cost effects of differing scales of output.
- 44 Employment and unemployment statistics by industry are on the whole satisfactory although there is an absence of detailed information on the composition of the unemployed and the reservoir of unused skills that exists. Unemployment statistics classified by occupation are made each quarter with regional analyses published annually or available at other times on demand, but the standard occupational breakdown is too wide to allow this detailed information to be extracted. There is also a serious lack of data on occupations and trends in occupational distribution, and an absence of comparability between what published data is available on an occupational basis (mainly census of population data) and that available on an industry basis. Thus, as the Estimates Committee remarked, “in studying travel to work much analysis is frustrated by the fact that, in the

census, industry figures are analysed by work place while occupational data is analysed according to residence. And this particular task is made more difficult by the absence of any breakdown by industry or occupation for local authority areas of under 50,000 persons.”* Analyses showing occupation by area of workplace are, however, available on demand for all local authority areas.

Manpower data collected between censuses is based mainly on counts of national insurance cards exchanged together with separate estimates for civil servants and others who do not exchange cards. The resulting employment estimates are comprehensive although it is still none too easy to ascertain “whether movements of labour such as that intended by existing government policies, from service and home-market industries into export industries, are in fact taking place.”*

“Information about the size and whereabouts of the stock of highly qualified manpower and its development in the future is very patchy. The consequence is that a substantial flow of statistics on educational output is vitiated by the almost complete absence of comparable data on the point of entry to employment and subsequent performance and movement.” As the Estimates Committee concluded, “in the absence of reliable figures on existing trends it is difficult to devise manpower policies with any great degree of confidence that they will be effective.”*

- 45 Similar difficulties surround data on incomes and the cost of living. The Hunt Committee, for instance, pointed out that there are “no comprehensive regional statistics of domestic income or product that would enable us easily to identify slow-growing areas,”** and it was unable to use regional differences in earnings as a way of measuring the inefficient use of labour employment. Inland Revenue data on incomes (which does not include joint incomes) relates to place of work, and the Family Expenditure Survey personal income figures to place of residence. Information on recognised wage rates is available, but not on actual rates paid nor on salary rates, while information on the actual numbers of salaried workers and wage earners is available only from the census of population. However, some improvements can be expected as the DEP’s new earnings survey develops. There are to be annual surveys with a doubled sample and so more

* Fourth Report from the Estimates Committee, December, 1966. p. xxxiii.

** *The Intermediate Areas*, Comnd. 3998, p. 10.

extensive and reliable regional results. Moreover, information about movements of employees between successive surveys will provide statistics of flows between regions. On the cost side, there are no retail price indices by region and, although as a result of the July, 1968, report of the Cost of Living Advisory Committee a study of the feasibility of constructing these is under way, this is likely to take a considerable time.

- 46 As the demand for regional statistics was virtually non-existent throughout the 1950s it is unreasonable to expect them to be conveniently at hand now. There is no doubt that, especially since 1964, a determined and continuing effort has been made to improve the collection and dissemination of reliable regional statistics. The regional economic planning councils have played an important part in this—both by providing a demand and by unearthing some regional statistics that had previously been lost in aggregated totals. Scottish and Welsh statistics have been considerably improved with a “budget” for Scotland produced and one for Wales promised. It is equally clear that there is still a long way to go.
- 47 One of the main causes of inadequate regional information has been the decentralised nature of government statistical services. Each department has been largely responsible for the collection of its own statistics and this has resulted both in a dearth of statistics with a regional dimension and in difficulties of comparability. Since 1964 the Central Statistical Office (CSO) has been trying to get departments to adopt common classifications and to introduce a regional dimension to series that are not at present published in that form. More recently, it has been decided to establish a Business Statistics Office (under the CSO) with a central register of business establishments* classified by industry, location, size and ownership, for use by all departments. This will enable the results of different inquiries, and statistics on different subjects, to be related to form an integrated system of information for defined sectors of the economy, prevent duplication and provide for storage (i.e. a data bank). Some important

* The “establishment” is a unit embracing the activities carried on at a single address, such as a factory, warehouse or mine. The activities are defined by their industrial characteristics. Sometimes more than one distinct activity is carried on at one establishment and occasionally these are taken to constitute separate establishments. There are probably more than 2 million non-farm business establishments in the UK.

improvements will follow. For instance, regional analysis of the census of production has always been difficult because firms have had the right to make combined returns for all establishments and on all subjects except employment. The existence of separate data for each establishment will allow of analysis by region and sub-region of production and the flow of goods and services. A central register will also avoid the difficulties resulting from individual departments compiling and maintaining their own registers, which meant that it was never certain that business establishments and firms were indentified and classified in precisely the same way with the ridiculous consequences that monthly and quarterly figures (e.g. for output and employment) might not be comparable in coverage as they were compiled by different departments. The effect of establishing a central register and Business Statistics Office (BSO) will be that "the kinds of information now collected through the census of production and associated inquiries, and for the short-period production statistics, would be obtained through a variety of inquiries—quarterly, annual and periodical—and be brought together to form a pattern of continuous quarterly and annual reporting on an integrated and consistent basis."* The statistics that are expected to be available from the BSO would cover production and employment (probably on a quarterly basis) and annual information on net output or value added, sales, purchases, stocks and expenditure on fixed investment. As these would be on an establishment basis it would be possible, for instance, to compile investment series both for individual industries and for regions and, probably, sub-regions.

- 48 The reliability of this new outflow of data on an establishment basis must depend to a large extent on the ability of industry to provide the required information, but once the register has been completed and the BSO set up, the flow of statistics with regional adaptability should be notably improved and will go a long way to meet the first two needs mentioned in paragraph 42.

Nevertheless, there seem to be few advantages in halting the move to centralisation at this point, where separate departments will still be responsible for statistics-gathering, whereas there are strong reasons in terms of speed, scope, administrative efficiency and economy, for adopting a fully centralised system as in Sweden.

* Statistical News, 1.9. HMSO.

The Swedish system* links a basic population register (carrying data on income, employment, wealth, tax, education, social security, migration, etc., for individuals or groupings) and an enterprise register (providing data on the economic life of enterprises and other organisations) to a property register which can provide a geographical element based on grid references. Although still incomplete, this system is already allowing consistent, fine-grain data to be produced very rapidly. Basic population data for small areas of the country are produced at the start of each year. This is valuable for planning social or transport provision. Annual sets of income and employment data tables are also produced. The potentialities of the system are obviously vast, not only for regional planning but for other forms of planning and for simplifying and speeding up mundane administrative business.

- 49 Fuller information for sub-regional units would also be valuable and, just as improvements in national statistics should if possible contain a regional element, so improvements in regional statistics should wherever feasible contain sub-regional components. There are, however, greater problems involved in providing sub-regional as opposed to regional information. The likelihood of cutting across other administrative boundaries (such as local education authorities) is greater. Samples need to be relatively larger if their margins of error are not to be too great, and expense is thereby increased. The problem of the confidentiality of information provided by firms also becomes more acute, as the smaller the area the easier it is to identify a particular company's contribution to the total. The central register will initially use employment exchange areas (of which there are about 1,000 in GB) to provide the geographical location of establishments, but eventually either the national grid (which can obtain an accuracy of 100 metres) or the "co-ordinate referencing system" (which can pinpoint locations to one square metre) may be incorporated into the system. This will naturally take time and meanwhile every opportunity to add a sub-regional dimension to statistical series should be taken.
- 50 The demand on statistics for the purpose of showing trends in the regional problem and indicating the effectiveness of current government policies is not as severe as that for enabling new policy techniques to be adopted or for making comparisons between the benefits accruing from one line of government action as against another. Statistics only serve economic management

* See Peter Hall, *Computer Privacy*. New Society. 31.7.69.

and it is developments of this system, not of statistics by themselves, that can improve practice. Moreover, as sophisticated techniques may often give rise to serious administrative difficulties if grafted on to the present system of management the question that must always be asked is what decision-making procedures can successfully be developed on the basis of new statistics and information.

51 For instance, by use of the "multiplier", one could distinguish between industrial expansion which creates little new employment and growth in the region (beyond that of the initial expansion) and that with a high regional multiplier effect. The effectiveness of a given expenditure of public funds would be greater the higher the value of the regional employment multiplier of the industries and firms subsidised.* To quantify these factors it is necessary to have much more information on the relationships between sectors within the regional economy, in other regional economies, and between regional economies, as the interdependency of industries has a direct influence on the relative attractiveness of an area for investment. The significance of external economies and their importance to industry needs to be measured. Given this, it might be possible to forecast both the total multiplying effects of a given expansion and the implications of this for the size and composition of the labour force.

52 Ideally it would be reasonable to expect decisions on factory location taken by private companies according to commercial criteria to come as near as possible to the least-cost location. In this case, inadequate employment and growth in a region would indicate that it did not provide least-cost conditions for those industries currently expanding elsewhere in the economy. This may of course be largely true at present, although the absence (in Luttrell's phrase) of "classic cases of location choice" on the part of companies, and the entrance of non-commercial factors into the calculations of managers responsible for taking location decisions, makes it doubtful that things are so clearly rational in practice. In any case, whether location decisions are taken according to strict economic criteria or not, it is evident that a location suggested according to a company's profit and cost criteria would not necessarily be the one most favourable to regional economic growth nor, as the purpose of regional policy is to achieve stable

* See Ken Alexander. *Theory, empiricism and regional economic policy*. The Technologist, 1964. pp.128-134.

and consistent national economic growth, to the well-being of the national economy. Thus, to encourage expansion in a sluggish region, the government should distinguish between those industries for which the cost differential over the least-cost site is smallest. This it can only do on the basis of full information and accurate techniques. For instance, information on the productiveness of investment in different locations could be used to justify location decisions without taking congestion costs into account. Equally, the decision to encourage expansion is often taken on social grounds. Attempts should therefore be made to quantify and cost these social considerations as far as possible, so that it is clear what gains (e.g. lower unemployment, reduced congestion, shorter travel to work, more efficient use of public utilities and so on) in social and political welfare are being placed against the loss to total productive growth stemming from the decision not to invest in an already prosperous region.

- 53 More information about the costs of firms in different locations could lead to a system of incentives which were calculated more precisely to reflect the costs to the firm of settling in a particular location and, on the other hand, the benefits to the community from its doing so. Again, public funds could be used to greater effect in this way than by dispensing subsidies to those firms that calculated their own costs (after subsidies) to be smallest in that location rather than another. Also, while grants for capital investment are almost always likely to increase the demand for labour, and labour subsidies likely to spur on capital expansion, there would be advantages in inducements that were calculated to reflect more precisely the relative importance of capital and labour costs to the firm in a specific location. While it is important that helpful techniques should be developed, the practical difficulties are often formidable, involving the availability of information about particular firms, the quantification of social costs and benefits and the development of governmental machinery that could take such sophisticated decisions quickly enough to avoid undue delays and give effect to them while being seen to act fairly.
- 54 Public investment also should be allocated within and between regions with some regard to statistical indicators. While more information as to the actual distribution of public investment would be useful, and developments in the methods of measuring the needs as against the resources of different areas may be necessary, it is not criteria for the distribution of public investment that concerns us at this stage so much as the demands for

more information about public expenditure and investment at the forecasting stage. There are two aspects to this:

(a) The coordination of public investment programmes (those of nationalised industries as well as government capital expenditure on, for example, the social services) with each other and with private investment programmes;

(b) short-term demand planning.

55 More information about public and company investment programmes would obviously aid planning and improve the quality of the decisions taken. Public and private development plans interact, each creating demands to be met by the other and causing changes in the demand for skills which, if assessed in time, could become the basis of a greatly improved manpower and training policy.

56 The second point needs more elaboration. It has been suggested that the introduction of a regional dimension not only to future investment plans but to the forecasting of public expenditure of a current as well as capital nature would be almost essential if meaningful regional plans were to be drawn up. This would inevitably involve the regions in the business of the short-term regulation of the economy. In other words, just as Keynesian control of the pressure of demand required its measurement and prediction for the national economy, so this may now be necessary for regional economies.

One of the traditional aims of regional policy has been to shield poorer regions from the full effects of deflationary policies. This has been necessary because the short-term regulation of demand has been a national Treasury function. If more use were made of the region for purposes of demand regulation and the other main short-term planning operation—the control of public expenditure—then control of the pressure of demand could be operated more flexibly from the start, making subsequent remedial measures less necessary. It is argued that this might also prove to be a more effective method than the present one. At present, for instance, as Jeremy Bray has observed, “if demand seems likely to be excessive, producing an excessive demand for labour and imports, then the Government takes steps to reduce it, either by cutting plans for public expenditure or by increasing taxation. The calculation gives no indication for example as to whether an excessive demand for building labour in London is not being countered by a cut in steel production and a rise in

unemployment in Scotland which, far from reducing the pressure of demand in London, increases it by encouraging migration."*

A greater regional element in this process could enable a picture to be constructed showing the points of over-full demand and allowing differential action to be taken to correct them without the need for blanket deflation. It could be argued that REP marked the beginning of such an attempt by introducing something akin to regional devaluation.

Yet the most effective tools of demand regulation are those, such as the purchase tax regulator or hire purchase control, that operate on consumption, and it is difficult to see how these could be given a significant regional dimension. Such a system would in any case require a sophisticated statistical basis, capable of meshing in analyses of inter-regional commodity flows with import/export generation, savings propensities, levels of consumer expenditure, incomes, prices, etc. A logical development of this could be something approaching a prices and incomes policy on a regional basis.

- 57 Regional planning has so far been regarded as medium to long term in scope. Its influence over the short term has been extremely limited. For it to enter into short-term planning would require a different type of regional machinery than exists at present and radical changes in central government structure. Given these, along with improved statistics, it is argued that both national and regional planning could be improved.

For instance, new methods of controlling public expenditure could be developed on the basis of short-term economic forecasts for travel-to-work areas—relating the provision of housing, roads, power stations, industry, etc., to the level of employment—and the regions could be provided with alternative public expenditure programmes which, in so far as they implied a demand for manpower, should be capable of translation into manpower requirements. The "winter works" programme, introduced by the Labour Government, can be seen as the beginning of such an attempt. Travel-to-work areas that are likely to suffer the worst unemployment during the winter months are selected and departments allocated a small amount of additional funds by the Treasury for expenditure on road, hospital or school works. The programme is, however, short-term in the extreme and the limited time that departments have to choose projects can lead to hurried and strange decisions on priorities.

* Jeremy Bray. *The New Economy*. Fabian Tract 362, p. 3.

- 58 A fairly lengthy account has been given of some ways in which improved data and the use of new techniques could benefit regional planning. At the moment they may seem over-ambitious or administratively impossible but this was the view held not so many years ago about some techniques that are being successfully applied today. It is as well to look at the way in which planning may develop. The implications of such techniques for the development of the regional machinery and for the organisation and responsibilities of central departments are obviously considerable.

Yet on the basis of such information and techniques, proper regional plans could be constructed showing the percentage growth pattern assigned to each region and the ways in which the required development would be stimulated through the location of new industry, and public investment in infrastructure, manpower training and inducements. Such techniques would also, as mentioned at the beginning of this section, enable regional policy to progress on the basis of informed selection of areas for development, the location of certain industries, and the types of government incentive and aid required. There can be no doubt that the available data is, as the Estimates Committee concluded, "quite inadequate" for the purpose of drawing up regional plans.

Greater Concentration?

- 59 It is only on the basis of improved information and statistics that some form of a growth complex policy can become feasible. At this point the distinction between growth complexes and small development districts should be emphasised. Development districts stemmed from Tory policy during the 1950s, when the trend was away from concern with the "proper distribution of industry", which had been present in development area policy of the immediate post-war years, towards concern once again with local unemployment alone. Concentration on too small a district, with policy taking the shape of inducing a few factories to give employment to a locality, ignored a number of factors. A successful project requires that the right kind of labour is, and will continue to be, available locally, that supplies for the enterprise are available and the finished products or services provided have access to markets. This requires knowledge of the local manpower situation, the skills of the local work force, of established industry in the area and of transport facilities. It also requires a willingness to see deficiencies made good and discrimination in the kind of industry assisted.

Development district policy did none of this. It worked on a percentage rate of unemployment and once that had fallen below the required level the job was assumed to have been completed. Frequent changes in the scheduled districts naturally had disruptive effects upon industrial investment. Sunderland, Houghton-le-Spring and Merseyside, for instance, were put on the list, taken off and then restored to it in the space of two years. The policy had other drawbacks. The Select Committee on Estimates, inquiring into development area policy in 1955-56,* found the Board of Trade attitude to be that if a firm got as far as considering a move into a development area it should go to the localities within it which appeared to have the most serious problems. The result was that the more prosperous parts of a development area had the least chance of all areas of attracting new industry.

A further drawback of small development districts is that, working on the sole criterion of percentage rates of unemployment, they may restrict aid to old industrial areas where physical congestion is as serious as in areas where there is labour shortage.

The idea of growth generators, on the other hand, is the development of self-sustaining industrial complexes—not necessarily in physically congested areas or in the particular district where there is abnormally high unemployment (although it can be presumed that a manpower surplus exists, or is likely to arise, in the vicinity).

- 60 The characteristics of a growth complex will differ according to the nature of the region and its problems. In sparsely populated regions, for instance, it may be primarily a service centre while in an underdeveloped region or a depressed industrial region it is more likely to be designed as a generating point for economic expansion or, in a prosperous region, as a counter-magnet to the attraction of the congested metropolis.**

* Even before the statutory replacement of development areas with districts the Board of Trade's policy was to concentrate on particular localities within the areas, thus administering a policy of districts.

** See Allen and Hermansen. *Regional Policy in EFTA*. 1968.

- 61 An interesting example of the promotion of a growth complex aimed* at developing one of the least-favoured regions of the EEC is the plan prepared by Italconsult in 1965 for the Bari-Ferradina-Taranto-Brindisi area of Italy.

The background to the plan was that although, mainly as a result of the government decree that 40 per cent of all new investment by the State undertakings should be located in the South, big new steel, engineering and chemical plants—such as Italsider's £240m. steel works at Taranto and the £600m. Montecatini-Shell petro-chemical plant—had been set up, these had remained largely isolated with no cumulative concentration of further industrial activity around them. The opinion of the EEC Commission was that this was because the external economies of locating there compared badly with those of locations in the North. The Commission therefore employed the economic consultants, Italconsult, to examine how the conditions could be created in which external economies would arise.

Having studied the area, Italconsult looked for specific industries that might fit the requirements of the region and that might be attracted by the existence of steel, plastics, cheap labour and sites, and proximity to Mediterranean markets. A study was made of the Mediterranean market in order to decide which industries it would be desirable to establish in Bari, the centre of the growth zone, and the optimum size of production unit for each of them, "taking into account the present state of technology and the competitive position within the Community. For each unit of production thus defined, the total needs per industry were calculated in such a way as to define the markets for the various units of production corresponding to them and to make sure that these markets guarantee a minimum return on each unit of production."***

The consultants placed great emphasis on the fact that the existence of many firms presupposed the existence of certain other specialised firms supplying them with components or providing

* Perhaps this should more accurately be termed a development or growth "pole" in that its purpose was more to establish a new point of growth in the context of national planning rather than to rationalise the activity of the region—although this aim was also present. The area covered is rather larger than would be expected of a British growth complex. The techniques are nonetheless instructive.

** EEC *Ninth General Report of the Activities of the Community, 1965-66*, p. 165.

maintenance facilities. As McLachlan and Swann remark in their account of the scheme, "In many ways it is the firms doing this sub-contracting or subsidiary work that are of critical importance in the development process, for such firms cannot be competitive themselves unless they too are able to operate on a large scale."*

Italconsult's plan was therefore to establish simultaneously "all the ancillary trades needed by the main branch which it is desired to promote, and to establish a sufficient number of users in that branch to provide a large enough market to support at least one firm of optimum size in each of the ancillary trades."** As the EEC Commission itself commented, "It is quite clear that, for 'complex cycle' industries, an entrepreneur can only reasonably envisage manufacturing a finished product in centres where he can find all the industries ancillary to his own branch. Conversely, a sub-contractor will only set up in an area with both an adequate market in the shape of firms requiring his specialised services and also the ancillary industries without which he himself cannot operate."*** The main industrial branch chosen for the study area was heavy and medium engineering and it was decided to establish 8 sub-branches of the industry. These were:

- (a) the manufacture of heavy structures such as bridges;
- (b) baths, radiators, stoves, hollow metalware, etc.
- (c) fuel-oil burners and centrifugal pumps;
- (d) agricultural machinery other than tractors;
- (e) machine tools (such as lathes, milling machines);
- (f) earth-moving equipment and mobile cranes;
- (g) cranes and continuous mechanical conveyors;
- (h) lifting and carrier trucks.

Around these main units some 22 subsidiary concerns would be set up covering tool shops, maintenance and repair shops, nut and bolt works, foundries, etc., so that "there will be established simultaneously the whole complex of ancillary industries required in that sector, together with a sufficient number of other industries (industries that produce finished goods and use intermediate goods and services) to justify economically the existence of the

* *Competition Policy in the European Community*, p. 425.

** *ibid.* p. 426.

*** *The Commission proposes to the Italian Government a new method for promoting industrial development in Southern Italy*. November, 1965.

complex of related industries."* In all, the plan (which should be functioning as a whole by the end of 1970) was estimated to provide 8,000-10,000 jobs at a total cost of about £46m. The consultants went on to study what public investment was necessary for the functioning and development of the new industrial centre.

- 62 While such substantial areas of under-development do not exist in Britain, the Italconsult plan is interesting in the techniques it employed and as an example of positive industrial planning. It could well be applicable in certain British instances—planning a petro-chemical complex at Invergordon, establishing industries related to the oil installations at Milford Haven or the North Sea gas operations on the East coast, or developing a large new complex in an area such as Sunderland. A study along similar lines to the Italconsult plan, and concentrating on the build-up of related engineering industries, has recently been made of the Preston-Leyland-Chorley area although the results are not yet available. The development of the complex of electronics firms in Scotland is one successful British example. It is unlikely that this would have developed without government effort, particularly that of the post-war Labour Government. The approach as a whole helps to highlight the radical difference in theory and application, between policy of a temporary nature aimed at restricting assistance to the worst-hit spots of a region, and that which aims at creating an activity generator for the region on a planned long-term basis, integrated with national planning. It also illustrates the importance of external economies and raises the question of regional industrial specialisation.

Specialisation and Diversification

- 63 There is some general disagreement as to whether what is needed for a region is a diversity of industries to spread the risk during a recession or a fairly specialised, closely-connected pattern of industry. It is true that the trouble in some regions has been that a large proportion of employment has relied on a declining basic industry, such as mining, shipbuilding or agriculture. It is also true, however, that the heart of the Midlands, often held up as an example of diversification, has some 35 per cent of its manufacturing employment in the metal and engineering industries.

Growth complexes must require a large degree of specialisation if external economies are to be generated. Specialisation still has

* EEC Ninth Report, p. 165.

its dangers as, to the extent that ancillary trades and services are dependent upon the basic industry, they will go down with it. But over-concentration on diversification has perhaps detracted attention from the creation of "dynamic interdependencies". The similarities in the technologies of manufacture of broad ranges of products "can introduce a certain degree of balance into a nonetheless highly interdependent system".*

- 64 There is some evidence that regional specialisation in particular industries has fostered their more rapid growth. There is, for instance, "a significant correlation between the extent to which the region has more than its proportionate share (relative to its share of all manufacturing industry) of the employment in a given industry and the extent to which the net output per head in that industry is high in that region in relation to the average net outputs for the industry as a whole and the region as a whole." It is not, however, evident from this "whether the effect is produced by a tendency for regions to specialise in what they are 'naturally' good at, or by a tendency for them to become good at what they happen to specialise in. The latter effect, through economies of scale, is certainly traceable in some industries."**
- 65 Yet perhaps the main question in the argument between diversification and specialisation is the superficially simple one of the size of the growth complex. It is surely possible to have some degree of specialisation within a growth centre but some element of diversification within the region.
- 66 Growth complex policy has been regarded by some as the alternative to a "spread" policy, a policy of concentrating resources and effort on a particular regional centre, with good spatial and industrial national links, rather than applying measures generally to the region as a whole. While it may be true that in a number of areas the existing settlement pattern needs to be rationalised rather than perpetuated, and while advantages such as a higher return on public investment, economies of scale in the provision of infrastructure or external economies for industry, may accrue from concentrating rather than spreading resources, such a policy

* David Steele. *More Power to the Regions*. Young Fabian Pamphlet, 6, p. 16.

** NIER, November, 1968. *Regional Problems and Regional Policy*, p. 47.

must be seen in perspective and not over-simplified. The growth complex will not represent the sole source of regional economic activity, or even of regional industrial activity. Growth complex policy should not mean the abandonment of development areas, although it may entail changes in the priorities attached to various development area measures, and a greater flexibility of policy as between regions in accordance with their needs and resources. It certainly should not mean a return to a policy of development districts. If certain industries are selected to build up a growth complex there is no reason why others should not continue to locate in, or be encouraged to move into, other parts of development areas. These may be of a sort that are not likely to benefit from the particular economies that the growth complex is able to confer, or they may be those that are attracted to a particular location outside the growth complex for other reasons—such as the existence of certain services or natural resources, or merely for the reason that the physical costs of location are small and other things are equal.

As, in order to maximise economies, the intake of industry into growth complexes should be to some extent selective, and as controls or penalties of some sort should remain to encourage movement from the prosperous regions, opportunities for industry to expand outside the complex without forfeiting all assistance should remain.

- 67 Besides this, other development area benefits will need to be continued. As Allen and Hermansen have pointed out, "it is necessary to look and plan beyond the individual centre. Because concentration increases intra-regional imbalance, which may involve depopulation of some parts of the region, it is necessary to plan carefully for the area outside the centre proper in as comprehensive a manner as within the centre. The pursuit of a growth centre policy must not mean planning neglect of areas outside the designated centres."*

Planning for Regional Growth

- 68 This raises the further point of how far the building up of growth complexes will improve employment opportunity in a region as a whole. In some parts of the country (e.g. the Welsh valleys) geographical factors, making themselves felt through transport difficulties, would result in its being physically awkward for the

* *Regional Policy in EFTA*, p. 70.

population outside a fairly small area to benefit from the improvement of employment prospects in a neighbouring growth complex. In other parts of the country the travel-to-work journey scope would allow a very wide radius. This again demonstrates that the locations of industrial growth must be carefully planned and related to each other. It also necessitates a careful assessment of the location of various types of labour and, ideally, an advance analysis of areas with declining industries or even a long-term analysis of each industry in each region. It requires discrimination in the selection of new industry and steps to ensure that the requisite skills, transport facilities and other services are made available. This type of job could be tackled properly only by a regional organisation.

- 69 Growth complexes must, therefore, be seen as part of the process of regional planning. Once expansion starts in a hitherto declining region shortages of critical resources are likely to become apparent. Years of limited prospects may have resulted in skilled men leaving for other regions. Services and transport may be inadequate. Essential industrial capacity may be lacking. The detailed needs of expanding industries are unlikely to be confined in their effects to a small area.
- 70 Our conclusion is that growth complexes could be established within wide development areas. A growth complex should have surroundings which provide an attractive environment for living and a location well-suited to industrial growth. The area would contain, or be able to attract, a sufficient pool of labour, have good communications with existing industrial centres and, preferably, have shown the ability to attract footloose industry. The location of complexes would depend on the region, but four broad types can be distinguished:
- (a) Substantial cities that are not so large as to suffer from excessive congestion as a result of growth. Plymouth, Teeside and Tayside are examples.
 - (b) Satellite towns related to conurbations where growth is desirable but has been prevented by physical barriers and by congestion. Cumbernauld, East Kilbride and Llantrisant, are examples.
 - (c) New or expanding towns at some distance from existing centres of population but which are well suited for growth on the basis of the criteria described above. Crewe/Winsford, Swindon, Telford and Irvine are examples. Development areas should have more new towns. If well located they can not only provide an opportunity for

economic growth and halt migration but can also relieve central area congestion and provide a better living environment.

- (d) New developments aimed at opening up an isolated or under-developed area such as Newtown in mid-Wales.
- 71 If growth complexes are not to be regarded just as areas where there is a lot of industry or where rapid growth has been taking place irrespective of the manner in which it has been generated—it may, for instance, be due to short-term intra-regional factors which have done nothing to strengthen linkages with the national economy—but as areas where there is a series of firms or industries which are complementary, related or mutually dependent, greater selectivity is needed. As argued earlier, this in turn demands first more information about regions and better techniques of industrial planning together with either more effective inducements, or compulsion, or the extension of public enterprise.
- 72 In political terms it is important to stress that the intelligent development of growth complexes is not, as the Tories' growth point policy suggests, an easy way of economising on aid, nor a miraculous method of solving the regional problem while concentrating assistance only on a small area. National controls and aid to the regions as a whole remain essential. Growth complexes cannot be effectively planned through infrastructure measures alone. This would be a recipe for creating fresh regional problems, not only in terms of disparities between the prosperous and less prosperous regions but also between growth centres and declining areas within a region—between, for instance, Leyland-Chorley and the old textile areas of North-East Lancashire, between Washington and Sunderland or between Llantrisant and the valleys.

Incentives and Controls

- 73 There is no doubt that the present system of incentives and controls has been valuable in controlling regional disparities, although much depends on the priority given by a government to regional incentives and the vigour with which it requires the IDC control system to be administered. The Board of Trade report* illustrates this quite clearly. Examining the movement of

* *The Movement of Manufacturing Industry in the U.K., 1945-65.*

manufacturing establishments, it shows that there have been three distinct periods since the War. In the seven years from 1945-51 movements responsible for 373,000 jobs took place and 237,000 of these went to peripheral areas (approximately equivalent to present-day development areas). During the eight years from 1952-59 only 79,000 of the 274,000 jobs represented in movements went to the peripheral areas. In the subsequent six years, 1960-65, 122,000 out of 223,000 were located in the peripheral areas.* It is no accident that the particularly poor showing of the middle period coincided with the years of Tory administration before their "discovery" of the regional problem in the early 1960s.

Although IDC controls are now being toughly applied, and although important new inducements (such as REP) have been introduced, regional disparities have been far from eliminated, and past experience shows how rapidly they can worsen as soon as regional policy measures are slackened off. In other words we are still a long way from being able to cure the disease rather than suppress the symptoms.

- 74 Some of the shortcomings of present development area policy have already been mentioned. IDC controls have been in force for 20 years and yet rapidly increasing sums of government money have had to be laid out with the main aim of influencing industry to expand or locate in the less prosperous parts of the country. The regional problem is still a serious one and, looking over the years, it is clear that its extent has been consistently underestimated.

The increase in employment opportunities in the less prosperous regions has continued to be very slight when compared with that in the prosperous regions. Thus, while total employment in Scotland, Wales and the Northern and North-Western regions of England increased by 3.9 per cent in the decade 1952-62, that in the other regions of Great Britain increased by 12.6 per cent. Figures on male employment alone give an even starker comparison. The four less prosperous regions with 35 per cent of Britain's male labour force in 1952 obtained 8 per cent of the increase in male employment over the next decade.** Between 1961-66 male employment in the South-East, East Anglia, the South-West and the East and West Midlands rose by nearly 6 per

* Employment is that in existence in 1966. To allow for subsequent growth up to maturity the report adds 6,000 to the figures given for 1952-59 and 52,000 to the 1960-65 figure.

** Needleman *op. cit.* p. 78.

cent more than in Scotland, Wales and the Northern region, and by 4 per cent more than in the North-West.* Migration figures add emphasis to the situation. Net inter-regional migration in the ten years between 1952 (May) and 1962 (June) added 319,000 to the population of the South-East, East Anglia, the South-West and the Midlands at the expense of Yorkshire and Humberside, the North, North-West, Scotland and Wales.** In the five years 1961-66 the same groups of regions gained (and lost) 162,000,*** indicating little change in the volume of migration, although movements from the South-East to the neighbouring regions of East Anglia and the South-West resulted in a small net inter-regional emigration from the South-East. Adding in the international component, one calculation shows that the prosperous regions gained 593,000 during the decade 1951-61 while the less prosperous regions lost 615,000, and that in the subsequent five years the prosperous regions gained 374,000 and the less prosperous regions lost 262,000.****

- 75 Apart from the failure of incentives and controls in the past to remedy these regional disparities there are other drawbacks to the system. As we argued earlier, the need for greatly improved industrial planning and the advantages which could come from the creation of growth complexes within wide development areas, demand more sophisticated and flexible measures, capable of discriminatory selection. The present instruments themselves can neither guarantee the right industry to fill the gap in the right place, nor the provision of a collection of industries to supply a notable industrial content to a hitherto unindustrialised area. Nor, in fact, can development area instruments cause whole businesses to remove from congested areas or act as an instrument planning the development of industry along with that of housing, transport, educational and other necessary facilities. Moreover, incentives do not apply at all to the service trades or to office and other tertiary employment which could greatly improve the occupational structure of some regions. Although, with the problems of economic management in the context of a

* *The Task Ahead*. DEA, para. 9.17.

** Needleman, Table 6.1, p. 77.

*** *The Intermediate Areas*. Cmnd. 3998. App. D, p. 219.

**** Gavin McCrone. *Regional Policy in Britain*, 1969. Table 3, p. 156. The figures given by Hammond in *An Analysis of Regional Economic and Social Statistics*, Univ. of Durham, 1968, agree fairly closely with these.

fixed exchange rate, it is understandable that manufacturing has been shielded from a direct tax of its labour and that subsidies have been directed to it rather than to the service sector, it is nonetheless in the service sector that employment has been growing fastest. Since 1960, national employment in manufacturing has actually fallen while employment has grown in financial, professional and scientific services by 840,000, in miscellaneous services by 131,000 and in national government service by 80,000. Towards the upper end of the occupational scale alone, therefore, more than a million new service jobs have been created since 1960 with none of them qualifying for development area incentives.*

The problems of "grey" areas and of certain rural areas, the need to achieve a better integration of new towns policy with development area policy, and the fact that substantial sums of public money are being devoted to regional policies all add to the urgency of ensuring that our system of incentives and controls is an effective and rational one. None of these aims will be achieved merely by increasing the value of present regional incentives as experience in Northern Ireland** has shown. In any case, this would not necessarily be the most desirable way of achieving the objectives.

- 76 IDC control has often been attacked for having a general dampening effect upon industrial expansion. It has been alleged that the control deters firms from expanding, especially those of small or medium size whose managerial resources are insufficient for organising a far-off branch, and that it hinders productivity improvements through forcing new plant and equipment into old and unsuitable premises. The Hunt Report effectively refuted most of these allegations. It showed that between 1964-67 only 17 per cent of the floor space applied for in the South-East and the West Midlands was refused and that in these two regions industrial floor space grew at a rate not far from the national average. Of the firms which had applications for an IDC refused, more than 80 per cent subsequently undertook some form of expansion, many of them in development or overspill areas. The

* See Jeremy Bray, *Hansard*, 1.12.69, Col. 938.

** A firm locating in Northern Ireland can, for instance, enjoy a rent-free period at an advance factory de-rated by 75 per cent, or build a factory of its own on a site of its own choice with the government paying 40 per cent of the cost, together with 40 per cent plant and machinery grants, grants towards initial operating costs, training grants, REP, etc.

CBI also, as a result of a survey, has acknowledged that the IDC system has been operated more liberally than industrialists generally credited.

The Hunt Committee thought that IDC control might have some limited inhibiting effect on growth, but it pointed out that "other than those cases where rebuilding was solely concerned with increased productivity and involved no increased overall demand for labour, there could not have been much more industrial building in these areas without either a bigger influx of labour from outside or a greater shortage of labour, or a combination of both."* This point has been expanded by McCrone, who states that "if physical controls are used to check expansion in areas of the country which already suffer from over-employment and to divert it to problem areas it is clear that, if inflation is to be avoided, the alternative is not unrestrained expansion but the checking of that expansion by greater dependence on fiscal or monetary means. In such a situation, even if the physical controls do not succeed in diverting growth to under-developed regions, it still cannot be claimed that they have affected growth adversely.**

- 77 While accepting these points and stressing that the present IDC/ODP system should not be dismantled but should continue to be strictly applied, it is still in many ways far from perfect.

The more expanding industry there is, the more potential will there be for movement. Thus, while not disputing the point made in the previous paragraph about growth in the prosperous regions leading to labour shortage and inflation, it is nevertheless true that a system of financial incentives and disincentives could prevent loss of growth by taking advantage of the different situations and motives of firms and inducing both more expansion and more movement—without increasing the inflationary pressure in the congested regions. This system would also have the advantage of positively encouraging movement by all firms from the congested areas and not, as is the case with IDCs, movement by expanding firms alone.

A system of financial incentives and disincentives might ultimately provide a viable alternative with many advantages over the present control system and lead to a more effective regional policy.

* Cmnd. 3998, para, 346.

** Gavin McCrone, *Regional Policy in Britain*, 1969, p. 34.

A Possible Alternative System

- 78 The system we envisage would divide the country into four zones—development, intermediate, neutral and congested.* Criteria for this designation would take account of such factors as unemployment and activity rates together with the growth prospects of the regional industrial structure; income and price levels and growth; migration; environmental quality and land use potential; and the degree of urban and industrial congestion.

The development zone would comprise those areas with severe economic problems and, in present circumstances, would probably cover the Northern region, Scotland and parts of Wales. The intermediate zone would include those areas with less severe but still serious problems such as the North-West, Yorkshire and Humberside and parts of the South-West. In the neutral zone would be the East Midlands, East Anglia and those parts of the South-East and West Midlands outside the conurbation and its surrounding area, which would be designated as the congested zone. The changing conditions of areas might in time lead to their moving from one zone into another. Incentives and disincentives would, in the first place, take the form of a payroll subsidy or tax. The tax would be levied on all employment, except for very small businesses, in the congested zone. The subsidy, replacing REP, would be paid at its highest rate in the development zone and there would be clear advantages in its being paid to all employers, service as well as manufacturing. The incentive paid in the intermediate zone would be around a third of that in the development zone and could be paid either to all employers or just to those in manufacturing industry. Employment in the neutral zone would attract no incentives and would probably not have to meet a disincentive. The treatment of service industries would depend to some extent upon the government's attitude towards the taxing of service industries.

- 79 IDC and ODP control would be maintained in the congested, and probably in the neutral, zone although this new system might open the way for their eventual abolition. A system of incentives and disincentives might also help to overcome one of the loopholes in the present system which enables many firms to escape

* The four-zone idea has been examined by others. See, for example, the evidence of the Town and Country Planning Association to the Hunt Committee and Prof. Brown's note of dissent in the Hunt Report.

the control. There are, for instance, a permanent 2-3 million square feet of industrial premises (carrying IDCs) always available in London. The compensation involved in "sterilising" vacated sites is considerable and constant checks would be required to prevent reoccupation. The introduction of a payroll tax would, however, work on these employers even if they had not gone through the IDC/ODP process.

To facilitate rescheduling of premises from industrial to other use all future planning permissions for industrial use could carry a specified life. Although this would be of no benefit for many years it would ensure greater flexibility in the future. If the proposals along these lines made by the Uthwatt Committee* some 30 years ago had been instituted we might now be beginning to reap some of the benefits. The process could be helped along more immediately by raising the Exchequer grant towards the expenses involved in rescheduling from its present level of 50 per cent. To abolish the present open-ended planning permissions that have been made up till now would lead to justified complaints that property values were being altered by decree.

- 80 Another point to be considered is whether the proposed zones should be geographically continuous, or interspersed to allow varying treatment of certain sub-regional conditions. "Pocketing" of this sort exists within the French system of zoning. It could be useful for promoting growth complexes, encouraging the build-up of new towns, helping relatively depressed sub-regions in otherwise fairly prosperous areas, taking account of the comparatively polarised groupings of social problems that exist in some areas, or allowing recognition of the congestion existing in certain urban centres outside London and the West Midlands.

On the whole, and at any rate initially, zones should be fairly large continuous areas. There are obvious objections to any system that, by attempting to take account of relatively short-term or localised factors, and by relying on the ability of administrative procedure to make the necessary quick changes in classification, creates constantly changing boundaries, uncertainty and anomalies. There are also obvious objections, as a White Paper of 1948 argued, to "scheduling areas with very small or sparse populations, since the whole conception of a Development Area implies some degree of interchange and mobility of labour

* *Expert Committee on Compensation and Betterment.*
Cmnd. 6386. 1942.

between neighbouring industrial centres and a labour market large enough to provide industrialists with a balanced labour force.”*

The minimum of pocketing would therefore have the advantage of keeping the system simple and of allowing a basic stratum of differential incentives that broadly reflected national location priorities. Nevertheless, some way might be found of allowing the region to indicate its own location priorities. A more flexible policy can result from such broad “national” zones with additional measures taken at regional level than through a system that attempted to lay down centrally too precise and too detailed divisions. It is possible, however, that once the system was established it could be brought to reflect more refined national priorities, such as the need to encourage a particular type of industry, or that with a more advanced method of measuring congestion it could be extended to discriminate against such areas other than the clearly marked ones of London and the West Midlands.

The need to discourage development in congested urban cores is ultimately as important in a depressed as in a prosperous zone and is without doubt the major argument in favour of pocketing. “Congestion” in this context is seen as an economic condition which militates in various ways against efficient industrial operation. It is characterised by limited availability and high cost of land; inadequate premises, hindering industrial efficiency; transport costs inflated by traffic congestion; longer than average journeys to work in difficult conditions, causing opportunity costs for employees and, perhaps, reductions in productivity; general labour shortage, reflected in a scarcity of required skills, inflated labour costs and an above average rate of unfilled vacancies.

Although more work is necessary on this, it might be possible to devise a scale which could, by relating the incidence of these factors to the nature of the area’s general economic problem, decide the zoning of such large urban areas. Such a scale might result in the urban area being down-pocketed in relation to the surrounding area so that development was drawn off into an environment which offered more favourable economic conditions for efficient industrial operation. It would not affect slum clearance programmes nor hinder the general process of urban renewal. It might, in fact, bring about an actual improvement in the urban environment.

* *Distribution of Industry*. Cmnd. 7540, 1948, para. 90.

In the less prosperous regions a system of this sort would often have the effect of slowing down development in the older urban agglomerations and stimulating it in associated new towns. A related point is whether new towns in the neutral zone, where there would be no financial incentives, should be treated more favourably than the area around them, e.g. by up-zoning them one stage during the period of their build-up. On the whole, such an exception to the system would not be necessary so long as they were made attractive to industry through being set in a favourable environment and supported by public investment in infrastructure and facilities.

81 A zoning system such as this with taxes and subsidies on payroll would have a number of advantages:

- (a) it would take account of the varying circumstances of regions to a greater extent than the present development area (and special development areas)/non-development area division;
- (b) it would tax or subsidise the factor of production (labour) the demand for which is to be reduced or increased;
- (c) it would encourage mobility, working on existing as well as new or expanding firms;
- (d) it could take account of the costs of congestion that militate against industrial efficiency in (i) the congested zone and (ii) congested parts of other zones;
- (e) it could take account of social costs that derive from industrial location in congested areas and which are not met by the firms concerned (in terms of educational, housing, transport provision, and so forth);
- (f) it might provide the basis of a system for integrating regional policies in the event of the UK going into the EEC.

82 Besides these, there is a possible further advantage. Regional differentials in taxes and subsidies might help more substantial income increases to be given to low-paid workers in line with the declared policy of the government and the trade unions. Since in terms of weekly earnings there are proportionately more low-paid workers (especially men) in development areas, an attempt to raise the pay of the workers with lowest earnings would have an adverse impact on the cost and price structure of the development areas. This could be met both by phased reductions in taxes (or increases in payroll subsidies) in the development areas and by phased increases in payroll or employment taxes in the areas

with high earnings (which happen to be the congested areas). Otherwise, the scope for raising low pay is limited by its likely adverse effect on regional development and the awkwardness of the "cost inflationary" process that might stem from it (including undesired employment effects). Thus, lowering SET in the low earning development areas, and raising employment taxes in the high earning areas might enable a more vigorous policy to raise low earnings to be pursued without adverse effects on the economic development and employment of the (low earnings) development areas.

- 83 Some thought has been given to the effects of a payroll tax on costs and prices. The danger is only secondarily that a proportion of the cost of the tax in the congested areas might be passed on to the consumer in the form of increased prices. More important is that these might seep through to the less prosperous regions, thereby undermining to some extent the purpose of the tax.

The "congested" areas already carry a form of employment tax, since they bear SET payments on their service sector, without any REP reliefs on manufacturing. Since shortly after devaluation the only (small) element of labour subsidy enjoyed by their manufacturing industry has been withdrawn. Consequently, there seems to be no major problem in a gradual raising of the tax on labour in such a region.

There would in fact be much to be said for using the technique of announcing a phased increase in employment taxes. For this would have least cost-raising effect in the short run (or indeed at all), but would have a significant effect on investment/location decisions which would be able to take into account a widening of the tax/subsidy rates as between regions.

The cost-raising effect would be limited, especially if tax increases were spread over a period of time. Simply, Britain is a free trade area and there would be competitive pressures within manufacturing that would limit any transmission of the tax increase into final prices. The only qualification to this would be if the phenomenon of price leadership resulted in firms in the prosperous areas leading whole industries into price raising or if the product in question originated predominantly from congested areas (and even that would act as a further stimulus to production in areas receiving labour subsidies). This argument applies much more to manufacturing than to services: but then services are already subject to employment tax and even if this were increased it would mostly bear upon the cost of living within the region concerned and only to a minor extent spill over into other regions and affect their real disposable income.

The criticism might be made that what is involved is the taxation of export industries but, unless the intention is to alter overall the element of net subsidy accruing to manufacturing industry (from capital and labour subsidies) in Britain, there should be no discernible balance of payments effect and, even if the result would be to diminish the subsidy available to British manufacturing, this could be offset by rebating (in whole or part) in proportion to export turnover, although this would create another administrative problem and, depending on current definitions, might breach international agreements.

Problems of Selectivity

- 84 The group put much thought into trying to design a series of selective financial incentives that could be operated in the development and intermediate zones in addition to the basic national system of incentives and disincentives that has been proposed, and that would enable a given amount of finance to be used more effectively. Ideally, as was argued earlier, there should be full enough information available on industrial linkages, the costs involved in locating a particular type of industry in a particular area, the types of economic activity most needed in the region, the industries to which the region could offer particular advantages and so forth, to enable firms to be more effectively induced to certain locations and to develop means of selecting particular types of industry for particular areas. Grants would then be calculated to bridge the gap between costs to the firm and total costs in desirable developments.

As this is not yet feasible, an initial move towards it was examined. A lower standard rate would be fixed for investment and building grants. Above this, a regional body in the less prosperous areas would be able to add a further element of grant at its own discretion. This would create a more flexible system than the present one whereby all manufacturing firms locating in a development area receive the higher investment grant (subject to checks on financial viability) and standard building grants (subject to meeting minimum job creation criteria). Regions would be able to offer an extra grant to incoming firms that were considered to be of particular value (e.g. providing employment for particularly suitable skills) or to firms prepared to go to a particular location (e.g. an area badly hit by pit closures, or firms fitting especially well into a growth complex). The present weighting of the system in favour of capital-intensive and, perhaps employment-reducing, activities could be overcome. The government would set a ceiling on the funds available to each region

and regions would, therefore, have to strike a balance between the particular need for certain activities and the overall need for new employment.

To make for still more flexibility it might also be arranged that a regional body in the less prosperous areas could utilise a proportion of its investment grant allocation on infrastructure expenditure, thus giving some recognition to the fact that different incentives are at times of differing importance to different areas.

- 85 Despite the attractions of such a system in allowing much more discrimination than at present between the combination of types of business and particular geographical areas to be subsidised, there are serious difficulties. Firms often want to expand quickly while the assessment of individual applications and their worthiness for variable levels of grant would be likely to delay decisions and leave the level of benefit in doubt. Regional differentials might lead to a system that was not readily understood by industry or it might be exploited by the shrewder firms attempting to barter between the different regions for the highest level of grant. Discretionary grants could make for friction between government and industry and lead to charges of corruption and arbitrariness. The criteria on which special assistance was given to individual firms and localities would have to be clearly shown. This in itself would be no easy job. In the first place, of course, techniques would have to be developed but, second, one has to face the problem that such decisions could be taken by officials only at the risk of making the process undemocratic, while it would be unfair to expect elected representatives to have the necessary specialised knowledge. A system that combined expert official advice with democratic decision-taking would pre-suppose an elected regional government of some type. This would raise the question of where the money for regional incentives would come from. If the region had its own tax base, then the richer regions would be in a stronger position than the poor ones to attract prestige industries. If central government exercised control to keep a fair balance, or itself provided the finance, then this would be in conflict with regional autonomy.

The practical advantages of the present system whereby rates of grant for specific purposes are laid down by Parliament and the system operated by civil servants are clear.

- 86 It is nevertheless along the lines that have been examined that a system of more discriminatory regional aid to industry should be developed, although it can be seen that this can hardly be done

in the absence of a radical restructuring of the present machinery of government. The measures that have been examined, despite the many practical problems to which they give rise, do at any rate provide a timely comparison with the proposals for "selective" regional assistance that have recently been made by the Conservatives. These proposals have been predominantly negative—the abolition of investment grants and the phasing out of REP or, in other words, the withdrawal of the chief subsidies to capital and labour in the development areas. In their place would be put the old and discredited investment allowances—tax concessions which are an overall, not a regionally-biased investment measure—and, perhaps, free depreciation. This allows firms to write down their assets against tax at whatever speed they wish. It is basically, therefore, an interest-free loan during the early years of operation, although it can in cases allow more than 100 per cent of the cost of an asset to be written off against tax and is, therefore, popular with some sections of industry. Free depreciation can be regionally-biased, although this might now be more difficult as a result of the number of industrial mergers that have taken place, but it otherwise suffers from the general disadvantages of tax concessions.

Tax concessions can be used to discriminate to a much smaller degree than grants. They are not susceptible to discrimination between capital and labour intensive investment nor to distinctions between investment in productive plant and expenditure on the trimmings of the director's office or the teacups in the canteen. The only distinction they can follow is between companies with high and low initial profits and this has some curious results. Thus a profitable company can increase its available cash during its initial years of operation, while the less profitable company receives less benefit during its early years when, logically, one would expect it to be in need of most help. Consequently, tax concessions are probably most valuable to existing companies which undertake expansion or replacement of assets, and to branches of concerns that make sufficient overall profits to allow full depreciation to be claimed. Yet, as mentioned in paragraph 34, branch development has its drawbacks in terms of secure regional development.

The value of tax concessions cannot be calculated until actual profits are known. They are unlikely, therefore, to count for much at the time that decisions on location are being taken. In other words, they are not so much a locational incentive as a tax bonus that may be accepted gratefully after the decision-making stage has passed. Investment grants, on the other hand, enable the industrialist to know how much he will receive from the start.

He knows also that he will receive it in cash within about 12 months. Grants can be seen as a specific cash bonus for locating in a development area and can, therefore, bear directly on the firm's locational decision at the time it is being made, as well as offering direct cash assistance in the early life of the development when such help is most needed. It has been argued that investment grants may prop up declining businesses but, if financial incentives are to be effective, they cannot be held back until the projects have proved themselves in terms of profits and, as it is investment in new (or replacement) productive equipment that is being aided it is unlikely that it will often be declining firms that are making it. Finally, investment grants assist large and small firms alike and the details of expenditure are open to scrutiny by Parliament in a much clearer form than is the case with tax concessions.

- 87 The present combination of investment grants (at 40 per cent in development areas and 20 per cent outside), REP and SET allows a considerable variety of impact on relative factor prices (capital and labour) as between sectors and as between regions. The Tory proposals would allow very little differentiation. Nevertheless, neither investment grants nor tax concessions can easily enable assistance to be tied to employment creation or to the cost per job created. Much investment in plant and machinery (and certainly not on renewal) cannot be related to the provision of employment and, if it were, it would lead to arguments over the "value" of any particular investment and probably be criticised for encouraging overmanning. Estimates of the numbers of jobs that will be created by a particular development are unreliable—partly as a result of the difficulty of predicting the demand for a firm's products. They are used, along with estimates of the relative numbers of male or female jobs likely to be provided, in screening applicants for advance factories and for the higher levels of building grant, but to tie investment grants (or concessions) to employment generation would be much more difficult. One would presumably have to make an estimate of the employment that would arise and, in the event of its being too low or too high, either increase or claw back the grant at a later stage. This would be a clumsy procedure, making for uncertainty. In any case it may be short-sighted to encourage only labour-intensive investment in the development areas.

Infrastructure and Public Investment

- 88 At this point a little needs to be said about the role of infrastructure and other public investment. A useful distinction can be drawn between what has been called Social Overhead Capital (SOC) and Economic Overhead Capital (EOC). SOC is concerned with the development of human resources through expenditure on, for example, education, health or welfare facilities. EOC, which approximates to infrastructure expenditure, aims at supporting directly productive activities through expenditure on roads, harbours, power and water supplies, etc. This can in turn be divided into infrastructure of regional and of more than regional importance.
- 89 SOC should be allocated by government departments (and local authorities) according to accepted criteria of need. These criteria would take account of population age group trends, standards of housing, incidence of disease, standards of medical provision, pupil-teacher ratios and so on. The aim should be to prevent geographical disparities in the standard of provision of services. To the extent that some regions are manifestly deprived in the standard of provision of certain services these criteria have not been adhered to at some time in the past. Once this situation was remedied disproportionate expenditure should not be devoted to social service provision for the purposes of regional policy, although some means might be found of allowing a regional body to initiate or aid projects that it considered of particular importance from a regional development viewpoint. In practice, however, the existing disparities in the provision of services between regions are so great that it will require substantial expense and effort to correct them. How the provision of services in the lagging regions can be brought up to the required standards is mainly a matter of social rather than regional policy but it is important to underline the severity of these disparities and the part they play in the cumulative process of regional and local decline.
- 90 The Party's document on *Social Strategy* described many of these disparities in some detail, showing that certain areas are deprived in a number of ways. One borough, for instance, which was by no means the "worst", had higher than average population density, a very much above average death rate, a higher proportion of both semi-skilled and unskilled manual workers, a high perinatal mortality rate, over double the national average rate for respiratory TB, below average ratios of home nurses and home helps to population and a shortage of GPs. It also had

below average figures for both boys and girls staying on at school to 16, over double the national average of overcrowded primary schools and above average overcrowding in secondary schools.

Disparities of these kinds are reflected at regional level through a number of indices such as the percentage of school children finishing their education at the statutory school-leaving age, the proportion of the population with higher or further education, the condition of the housing stock, or even the varying incidences of mortality. The percentage of school-leavers leaving at 15 in the academic year 1966-67 was 51.8 per cent in the Northern region compared with 30.7 per cent in London and 35.4 per cent in the rest of the South-East. The proportion of the 1961 population (over 15) with education beyond the age of 20 was 4.7 per cent for males and 3.3 per cent for females in London and the South-East, but 2.8 per cent and 2.5 per cent respectively in the North. The proportion of slums to total housing stock in 1965 was 2.2 per cent in the South-East and East Anglia, 5 per cent in the North and 12.6 per cent in the North-West. The lowest rate of still-births in both 1949 and 1964 related to social classes I and II which experienced a reduction in the rate of 41 per cent between the two dates, while social classes IV and V experienced a fall of only 23 per cent during the period.* With the effects of social class most marked in Wales and the North, a clear regional disparity appears.

At a more local level these disparities may be even more striking—which is one reason for adopting, as suggested earlier, a smaller statistical unit wherever feasible—but they are still strongly enough polarised to show through at regional level.

We have just begun to tackle these problems through a re-allocation of resources and through special measures, such as the government's urban programme which seeks to raise standards of service in the most deprived areas. While relevant to the regional problem, the improvement of social services in the less prosperous areas is less important on economic grounds than as a measure of social justice.

- 91 There is more scope for using the distribution of EOC, or infrastructure, expenditure to aid regional policy, but we do not

* Neonatal mortality (first 4 weeks of life) is also most marked in Wales and the north, while the post neonatal mortality rate (5 weeks to 12 months) varied from 85 in the south and south-east to 118 in the north.

believe, as has been suggested by some, that infrastructure investment can be the central instrument of a distribution of industry policy. As Professor Brown argued in his note of dissent to the Hunt Report,* we know very little about the ability of superior infrastructure provision to attract new industry and what we do know does not suggest that its cost-effectiveness is as great as that of direct incentives, quite apart from the fact that its real cost—in terms of the resources it makes unavailable for some other purpose—is very much greater than that of direct incentives. Unless fresh evidence becomes available, therefore, this basic approach towards infrastructure investment seems sensible. It is what the French call one of “*accompagnement*” rather than “*entraînement*” — accompanying population and industrial growth rather than aiming to induce this growth. To the extent that regional policy is successful in influencing the location of population and industrial growth infrastructure investment will reinforce the process, and Brown’s criterion of equal effectiveness per unit of cost from extra infrastructure expenditure could theoretically help those areas where land and other costs are relatively low.

- 92 The chief exception to this theory in terms of national location of industry policy is the new towns, where public investment in infrastructure inevitably precedes growth to a greater degree than elsewhere. On the face of it improved communications, and road-building in particular, might appear to be another exception in terms both of the stimulus they may give to economic development and the psychological influence they may exert on businessmen deciding where to locate new plant or personnel deciding whether to work there. There seems little doubt that improved communications do have an effect upon economic development but it is less clear whether the development that is stimulated will necessarily be towards the less prosperous end of the line. It has been argued that while improved communications may bring a development area producer closer to the more prosperous markets, it also brings other, and perhaps larger, suppliers closer to the development area market, thus breaking down a measure of protection. In the specific case of the Severn Bridge, it has been argued that the economic activity stimulated by the construction was greater on the Bristol than on the Cardiff side. The case is far from proved and the general arguments put forward in the previous paragraph still seem well-founded.

* Cmnd. 3998, pp. 155-165.

- 93 In terms of intra-regional location policy, however, infrastructure investment can perhaps more properly be used as a regular part of policy. It would be of particular value, for instance, in supplementing payroll subsidies and additional investment incentives in building up a growth complex.

While the major part of expenditure on infrastructure will be decided by the imperatives of actual population growth, and while infrastructure investment of more than regional importance (such as the motorway programme or the new towns programme) should be centrally planned, there may be scope for regional influence over expenditure on infrastructure of a purely regional nature, such as smaller road schemes, environmental improvement, and the like. In practice, however, most such infrastructure work in England would either be the responsibility of the unitary and metropolitan authorities proposed by the Royal Commission on Local Government or else be too large to be financed through limited regional budgets unless regional authorities with substantial resources of their own were established.

- 94 To summarise, there would be many advantages in location policy at the national level being implemented through a zoning system relying on the action of financial incentives and disincentives in addition to IDC controls. A new scheme of this sort would by no means do away with all existing measures. Schemes such as those for key workers and for training assistance would be maintained. Regionally differentiated investment grants and other grants would continue to be used to attract industry to the less prosperous regions and would be backed by infrastructure investment of national importance with public expenditure on housing and the other social services allocated chiefly according to criteria of need. A more discriminatory location policy at regional level, supported by investment in infrastructure of regional importance, would have many advantages but, in present circumstances, the difficulties are formidable.

- 95 There are naturally limits to the amount of public money that can be earmarked to encourage private industry to locate in the areas that regional policy demands. Moreover, private industry cannot be subject to positive geographical direction. The next chapter examines two means by which the government could gain more control over the location of industry for the purpose of regional policy. These are through a more active use of its own position as a major customer, and through the extension of public enterprise into new fields of operation.

CHAPTER IV

PUBLIC SECTOR PURCHASING AND NEW PUBLIC ENTERPRISE

The Use of Public Sector Contracts

- 96 Information on public purchasing from the private sector is inadequate, but the National Income Blue Book enables some approximation of its value to be given. In 1965 total public sector purchasing from the private sector was of the order of £6,000 million compared with £4,000 million in 1960 (at current prices). Of the 1965 total some £2,375 million (£1,580 million in 1960) represented purchases by public corporations, £2,200 million (£1,600 million in 1960) central government purchases, while local authority purchases increased from £800 million in 1960 to £1,500 million in 1965.

The public sector's position as a purchaser is potentially, therefore, a most powerful government weapon: used as an instrument of regional policy, its effects could be revolutionary.

- 97 As far as the government's own purchasing is concerned, one of the main aims of policy has been to obtain value for money. This has meant that purchases are required to be placed with the supplier who can provide the cheapest product, after taking into account quality, reliability, delivery dates and other factors. It has been argued that, operating on this basis, public purchasing would have the greatest impact in exposing the more inefficient firms and giving orders to the most efficient ones. There would thus be a benefit in increased competitiveness within industry which would, over a period, strengthen industry's position in domestic and foreign markets.

Similar considerations apply to local authorities, although central government has no direct control over their purchasing policies. The statutes of the nationalised industries also generally reflect the view that the public interest would best be served if their purchasing were guided by commercial considerations.

- 98 There are four main methods by which contracts can be decided :
(a) by competitive tendering;

- (b) by competitive tendering with differentials;
- (c) by a quota system—a certain proportion of the total having to be ordered from certain regions;
- (d) by a policy of absolute planning.

At present competitive tendering by an approved list of suppliers is the normal method. Yet, on long-run contracts divided between a few suppliers (in the telephone apparatus or pharmaceutical sectors, for instance), it is doubtful if this has in practice led to the cheapest sources invariably being tapped, and the "buy British" policy must have made this untrue from the start in many cases.

- 99 Two forms of scheme have been established which give some measure of preference to the development areas. These are the contracts preference scheme and the general preference scheme. Under the contracts preference scheme, which is operated by government departments but not by nationalised industries, development area firms are given the opportunity to obtain 25 per cent of an order if the lowest tender is from a firm outside the development areas. If a company outside the development areas wins a contract, 25 per cent of the order is offered to the lowest tenderer among the development area firms, provided that the total cost of the contract is no more than the original lowest tender. This means that the development area firm will have to fulfil its 25 per cent of the contract (a) at the same price as the initial firm's tender for 100 per cent of the order, or (b) at an even lower price, as the initial firm is enabled to increase its price in respect of having received a smaller order than it tendered for, and the total cost of the contract is not allowed to rise. It must be rather unusual, to say the least, for a firm to be able to supply a quarter of the contract it originally tendered for at a lower price than it could the whole and also at a price lower than the lowest initial tender.

The other form of preference is known as the general preference scheme. Under this, if tenders from firms inside and outside development areas are equal in all respects, such as price, quality, delivery date, then the contract is given automatically to the company in the development area. This form of preference is operated by the nationalised industries.

These systems are obviously of limited importance in directing public sector contracts to development area firms. At present about one-sixth of the total of government civil contracts is placed in development areas.

- 100 It is frequently asked why development area firms are unable to compete more successfully. The size of the regional market explains this to some extent. Besides this, most regional incentives have been aimed at encouraging firms to move into a development area and do not, therefore, strengthen the competitive position of development area firms. In time REP may enable development area firms to compete on more favourable terms but it will be some years before the effects of this are strong enough to alter the proportion of government contracts going to development areas to a noticeable extent. As more industry moves into development areas the proportion of government orders being placed there should naturally increase, but this ignores the fact that development in the less prosperous regions could be actively encouraged by the placing of more government contracts there and that this could enable development area firms to achieve the economies which, on a small scale with uncertain orders, they are unable to do. This would be particularly true, for instance, of the manufacture of components for housing or school building where costs depend largely on the volume and flow of orders. Long-term bulk contracts in anticipation of redundancies would, moreover, provide a valuable planning base.

There is a definite dichotomy between the planning objectives that could be achieved through inserting a regional bias into the placing of public sector contracts and the need for the government to obtain the cheapest supplies. There is a lack of information on the effects of contracts on regional development and the resources that would be saved (by cutting unemployment payments, avoiding the need for housing in higher cost areas, etc.) through awarding "non-economic" contracts to development areas.

- 101 The government has found this dichotomy to be a real one and has so far found it impossible to use the purchasing power of the public sector to aid regional development without adding substantially to the cost of supplies. For instance, it could be specified that a percentage of the total supplies needed for a new town or other major development in the south should be provided by development area manufacturers, but there are serious price disadvantages in splitting contracts and especially when, as would be likely to happen in practice, contracts for specific components such as windows or piping are split. An alternative approach would be to establish an agency that could investigate contracts from a regional viewpoint and have access to a fund that it could utilise to tip the balance on contracts in

favour of development area firms when the margin was small, but this would be a cumbersome procedure and could lead to charges of abuse of power.

A further general difficulty is that the development of large companies has made it increasingly unreal to assume that all, or even the major part, of a contract awarded to a development area firm will be carried out in the development area, or indeed that parts of a contract awarded to a non-development area firm will not be handed to a development area subsidiary, while the main industrialised building components are often manufactured on site, thus resulting in much of the employment being provided locally.

- 102 While there should be permissive powers allowing the public sector to accept tenders from development area firms even when these are not the cheapest, we consider it more profitable to look at purchasing in association with the establishment of new public enterprises. For instance, by setting up publicly-owned plants, or by linking with private industry in the production of required goods, government and nationalised industries might be able to obtain both cheaper supplies and the location of such production facilities in the development areas. The recent case of a joint venture by British Leyland and the National Bus Company in Cumberland is an encouraging example of this.

New Public Enterprise

- 103 *Signposts for Scotland* noted that "If private concerns are not prepared to go where they are needed, public undertakings will be established."* PEP has also supported the extension of public enterprise to help the relocation of industry:

"If public funds are to be spent, why should not the return to the public be maximised?"**

An OECD publication takes a similar line:

"In general when the primary objective is to accelerate national development, the State should not hesitate to establish productive enterprises wherever private enterprise is unable to exploit fully

* Labour Party, 1963, p. 8.

** *Planning*, 14 October, 1963, p. 418.

the national resources. Such government or public enterprise need not be limited to establishing infrastructures; it may include developing certain manufacturing industries.”*

We support the extension of public enterprise into the manufacturing sector, to fulfil a specific industrial role in a region which private industry cannot fill or can only do so at higher cost. There is also scope for a similiar extension into some services, such as data processing. The costs of creating the required kind of jobs in development areas need to be calculated and comparisions drawn between the costs and effectiveness of achieving this through inducements to private industry, on the one hand, and the establishment of public enterprises on the other.

- 104 There would, of course, be other advantages in such a course. State enterprise could be brought more easily than private industry to fit in with growth complexes and with the local environment and to conform with certain social and national needs, and it would also make long distance overspill schemes practicable.

New public enterprise, or specific new public agencies such as the joint subsidiary of the NCB and BSC recommended by the TUC,** could also “assist the redevelopment of areas whose employment structure and prospects are adversely affected by pit closures and plant rationalisation.” The TUC suggested that “such an agency would be responsible for surveying in collaboration with government regional bodies the employment requirements, the characteristics of the labour force available and the alternative uses of existing installations, in areas that are or will be affected by closures or major contraction of employment stemming mainly from the two industries concerned.” As the TUC argued, “it is not enough for the State to develop a range of inducements and then have to rely on a patchwork of response by firms.” Methods of taking the initiative are needed.

We would stress, however, that the public concerns we envisage would aim to be viable and would not be subsidised except to the extent of enjoying industrial incentives in the same way as private industry. Initially, however, they might work to sales and employment rather than to financial targets.

* *Methods of Industrial Development*, p. 326.

** TUC *Economic Review* 1968, paras. 36 and 58.

- 105 Examples of goods for which public manufacturing concerns could be established are telephones and electronic equipment for the GPO; surgical supplies for the NHS; furniture and office equipment for the MPBW; hospital and school equipment; components for hospital, school and other public building. There is also a good case to be made out for either a major government construction company or medium-sized government building firms.

While in this context the promotion of regional development and Planning is the main aim for these new public enterprises, there are, of course, other reasons why the State should play a more active role in manufacturing. There is every justification, for instance, for the manufacture by public concerns of equipment, the demand for which largely results from a specific act of government policy. Equipment of this nature is likely to become more common in the future as, for instance, new laws make anti-pollution devices mandatory. The justification for public manufacture of parking meters or breathalyser equipment, which are not only direct creations of public policy but are also utilised solely by the State, is perhaps even less open to argument. Equally, on the grounds of import substitution, public manufacture of products in which indigenous private industry has shown little interest or success is clearly justifiable in theory. More than two-thirds of electro-medical equipment, for example, is imported. The manufacture of this by public enterprise could thus save imports (and perhaps add to exports), provide the NHS and the universities with the equipment they need at a fair price (something that can by no means be guaranteed at present), and generate a valuable "spin off" to research and to the electronics industry which could benefit regional development still further.

Similarly, the exploitation by public enterprise of new products, such as carbon fibres, which indigenous private industry has been slow to take up, or of new technologies developed by government research establishments, is also clearly desirable.

Besides providing employment in the less prosperous regions and aiding the other aims of regional policy, these new public concerns would also aim to provide government supplies at a lower cost than at present and provide a yardstick with which to judge the efficiency of private suppliers. Although there should be no insuperable difficulty in attracting the management and other personnel needed, the availability in some cases of initial markets within the public sector would enable marketing expertise and outlets (which, as in the private sector, would often be a greater

problem than production) to be developed rather more gradually than would otherwise be necessary. In other cases, partnership with private industry might provide a basic marketing organisation.

It has been argued that successful state manufacture would merely put employees of existing private companies out of work. This, however, would not be the case if the product to be manufactured was a new one or one for which demand was either rapidly growing or largely satisfied by imports. It is particularly in these categories that new public enterprises should be established.

- 106 There are a number of ways in which these new public enterprises could be organised. They could be spawned by the existing public corporations and be controlled as subsidiaries of these corporations. Thus the Steel Corporation could act as a nucleus for expansion into engineering, the Central Electricity Generating Board could be used as the nucleus for the production of electrical engineering equipment and the Post Office Corporation for the manufacture of telephone equipment. Second, they could be run as free-standing companies resulting either from the competitive acquisition of an existing operating plant (or a share in it), or from the establishment of new plants set up without any explicit connection with any existing operating enterprise, public or private. Third, they could be brought together under a holding company.

Each of these approaches might be appropriate in certain cases. Thus, for example, a subsidiary of the Post Office Corporation could be established, perhaps based on the acquisition of an existing company, to manufacture telephone apparatus; a furniture and office equipment design and production concern could be established as a free-standing company reflecting the fact that, even though the public sector would be the main customer, technical factors would not demand the same close supervision of customer over supplier as in the case of telephone manufacture; hospital and school component design and manufacture could be carried on by a public consortium which included a construction subsidiary; public manufacture of parking meters could be based on the acquisition of existing production facilities or start from scratch; and so on.

- 107 The holding company formula offers many advantages. In the first place this would allow the pooling of skills, experience, common techniques and, to a certain extent, of management

and sales resources. There might be important linkages between certain products (e.g. telecommunications and electro-medical equipment) or between existing products and their potential substitutes (e.g. steel and carbon fibres) which the coordinating influence of the holding company could exploit. The product potential of this cooperation would, of course, be vastly increased were BP to be treated as a part of the public sector in this respect. Existing public corporations could participate in the holding company as far as the interests of their subsidiaries and the relevance of their technical processes, marketing organisations or, indeed, their own supply requirements made desirable. This would also seem a more flexible method of utilising the redundant assets of the NCB or BSC (if, indeed, they were not too obsolete to be used at all) than the joint agency suggested by the TUC. The holding company could offer specialist services to small firms so as to avoid the diseconomies of small-scale operations, and it could act as the appropriate body, together with the National Research and Development Corporation, for the selection and initial conception of new areas for public enterprise. It could ultimately act as a channel for the reallocation of investment funds between different enterprises lying broadly within the public sector, thus operating, as in Italy, as a device for the socialisation of the capital market.

The holding company would cooperate closely with the regional planning body and this body in turn would assist the holding company by identifying the scope for new public enterprises in the region and the type of enterprise required on planning grounds.

- 108 A final word needs to be said of the financial implications of these proposals. A physical investment, by the State or by private industry, represents a call on current resources which, if we are operating under conditions of full employment, must involve some sacrifice. In so far as the setting up of new public enterprises represents an increase in the rate of national investment, it implies in the short run a slowing down in the rate of increase in some other form of expenditure. From the Treasury point of view, however, there is a secondary burden in the form of the strain on the gilt-edged market, with accompanying monetary difficulties which may be forced by any increase in the annual call for funds for the public sector. We would point out, therefore, that the scale of expenditure we are envisaging is not that connected with major nationalisations, but of the size which an ordinary large firm in the private sector would consider as a normal annual investment. A major engineering investment, for

example, is tiny when compared with the vast expenditure on electricity which we are accustomed to believe is typical of "nationalised investment". Furthermore, there are alternative sources of finance to the gilt-edged market, such as some of the genuine profits of the present public sector, any surpluses which developed on the State superannuation scheme, or a measure of private finance either from this country or abroad.

CHAPTER V

THE NEW TOWNS PROGRAMME AND REGIONAL POLICY

109 The importance of the new towns programme in terms of influencing the location of industry and public investment makes it essential that it should be treated as an integral part of regional policy. Unfortunately, except in Scotland, the programme has never been consistently conceived in this way. Its main aim has been to accommodate the growing population of the South-East and, until comparatively recently, the resulting concentration of additional resources in the south that this must entail, and its negative effect upon development in the less prosperous regions, has hardly been questioned.

110 The extent of this concentration is quite striking. In financial terms, £390 m. had been sunk in the London ring of new towns by the end of 1969, compared with a capital expenditure of £341 m. in all other British new towns. London's new towns had created 101,000 new industrial jobs compared with the 51,000 created in new towns in the rest of the country where 62,000 homes had been built by development corporations and the New Towns Commission compared with 93,000 in the London new towns.

The prospective programme for the next 20 years is still heavily dominated by London and, although the programme in some other regions has been substantially expanded, London-related new towns will probably account for a half of the next instalment. Town Development Act schemes add to this southwards bias with 31 London-related schemes agreed by mid-1969 compared with the 36 linked to other cities.*

111 The immediate explanation of the distribution of new town development is, of course, the relative extent and urgency of overspill problems, but, while it is true that there will be a large natural increase of population within the South-East which must be catered for, it does not follow that the present strategy for

* Source, *Town and Country Planning*, January, 1970, pp. 44-51.

dealing with this problem is the only one, or the best. In judging this one has not only to consider its likely success in tackling the South-East's own problems, but the consequences of the strategy in other regions. In attempting to accommodate a growing population in the South-East, decisions are being taken which affect the settlement pattern of population and industry throughout the country.

- 112 There are two main sides to this. *First*, new centres of growth in the South-East need to be manned up with industry and will, therefore, inevitably absorb footloose industry which could instead go to a development area. This development will generate further growth in the region and especially in London which will remain the dominant centre and the source of many specialised goods and services. Thus, as McCrone has pointed out*, "the effect of new developments in the South-East would be to some extent to stimulate the agglomeration which it is aimed to control." *Second*, the location of a new town represents more than a once-for-all siting of people and work: it is in effect a major decision in terms of the allocation of future public investment and expenditure which can hardly be rescinded at a later date. This public expenditure will have its own regional multiplying effect.

- 113 Present policy, developing from the post-war new towns programme and the South East Study, has attempted to achieve two main aims:

(a) to relieve the housing needs of London;

(b) to do this, as far as possible, by creating self-contained communities that can act as countermagnets to the dominance of the capital.

Policy has, therefore, recognised to some extent that mere over-spill schemes are undesirable in that they will act as a stimulus to the growth of London and tend to multiply social costs, but it cannot be said to have been entirely successful in its first aim nor to have avoided a basic confusion in its second.

- 114 On most counts the first generation of London's new towns has been a notable success. The towns have developed into remarkably self-contained communities, providing jobs and houses in a pleasant environment, thus relieving the London area of even greater pressure in terms of journeys to work, while being close

* Gavin McCrone, *Regional Policy in Britain*, p. 46.

enough to London for the capital's specialised facilities to be available when needed. Almost all of these new towns, however, have a high proportion of managerial and professional classes and of high income manual workers, and a low proportion of unskilled manual workers.

While this may have been inevitable in view of the high percentage of growth manufacturing industries that they have attracted, and because of their relatively young age structure, it has nevertheless meant that they have failed to make the contribution to London's housing problems that they might have done.* "Unskilled workers in particular are often in greatest housing need while demands for them by new town industries are often minimal."** The percentage of houses in London's new towns that are occupied by those previously on London housing lists is probably not more than 40.

While housing densities in London have been reduced as envisaged in the Abercrombie plan and the redevelopment of the older districts to more open standards, which was one of the original aims of the new towns programme, has gone ahead, it is nevertheless true that land shortage and high land costs have continued to push up housing costs in London and permitted more open space to be obtained only by adopting expensive construction techniques. Thus, in a sense, housing of a type that is not particularly favoured is being provided at a price which could provide both more and more popular accommodation in other parts of the country.

As a result of this and of the unexpected increase in the birth rate the existing London new towns, while generally successful, have been unable to give the measure of relief to London's housing problems that had been hoped for and it seems unlikely that new towns at a greater distance from London will have any greater chance of achieving this. Expansion in the outer South-East (OSE) can only accommodate those who can find work locally, thus making public housing, if the pattern of the existing new towns is repeated, of limited value to London housing lists. This is quite apart from the natural preference that people display for moving to a relatively close rather than a relatively distant area.

* See Ray Thomas, *London's New Towns*. PEP Broadsheet 510, April, 1969.

** A. J. Kellaway, *Migration to 8 New Towns in 1966*. TPI Journal, May, 1969, p. 202.

- 115 Yet many of the new and satellite towns proposed are in the OSE at distances of up to 80 miles from London. While these may successfully accommodate the natural increase of surrounding areas, it is not the OSE but the outer metropolitan area (OMA) that has been experiencing the most rapid growth within the South-East, although on an unplanned basis.

It has been argued that these new towns or major expansions within 70-80 miles of London (Northampton, Peterborough, Swindon) will be able to act as countermagnets to the attraction of London in a way which new towns closer to the capital could not do. This thinking, however, seems confused. How is a Northampton or a Peterborough going to perform "counter-magnet" functions in ways which Leicester, Nottingham or Coventry, which are not that much further away and which are both larger and established, are not able to do? The true countermagnets to London must obviously be conceived on some other scale. To establish a ring of countermagnets at a distance of about 70 or 80 miles from London is to step up the bidding for available industry and offices, which ought to be moving to centres in other regions, to add indirectly to the total population expansion of the South-East and to increase public investment in the South-East and its immediate surroundings because growth is certain to continue, albeit in a more sprawling manner, in areas closer to London. Even if Peterborough or Northampton* were to develop into effective counter attractions one would still, far from pushing development along in the right direction, be creating a stalling mechanism for movement to other regions. Industrial movement within the South-East might be encouraged but not movement to other regions.

- 116 We consider, therefore, that the less prosperous regions should be given greater priority in terms of the new towns programme, and that if the situation arises in which it is plain that all the approved schemes cannot go ahead as originally planned then priority should be given to those in the less prosperous regions. This would mean, for instance, the more rapid development of the central Lancashire or the Scottish new towns as compared with Peterborough.

Unless some such policy is adopted, the whole country will have some kind of priority and progress may be slow because resources will be dissipated.

* South Hants is a rather different case as rapid growth is occurring in the area of its own accord.

As an immediate measure we recommend that any long-term project to generate a new centre of major employment to be started in the next few years should not be in the South-East. The new towns programme in the development areas should be allowed to catch up with the Harlow stage before more Milton Keynes go ahead in the prosperous regions.

- 117 New towns* should be viewed not simply or even primarily as means of solving the public housing overspill problem but as focal points in a general strategy of regional development and economic growth. As we argued in an earlier section, one of the most satisfactory types of growth complex is a new town—providing new sources of work as well as homes and social facilities, attracting mobile industry and planning the whole comprehensively in a fresh environment that contrasts vividly with the obsolescence typical of the older industrial regions.

A recent study** of the new towns that were designated between 1947-55 outside the London ring has shown that they have made a substantial contribution to industrial growth in the North and in Scotland and thereby helped industrial location policy; that they have become relatively more balanced in terms of population and employment in contrast to most other areas; that they have helped to raise female activity rates in the development areas; and that they have encouraged upward social mobility and enabled the less prosperous regions to retain many of the new professional and managerial workers who would otherwise have been likely to migrate to the South-East.

* A new town, as we envisage it, is a large-scale development with a reasonable balance between population and employment and a good range of housing of all types. It might be consistent on occasions to fit within this framework the idea of what are sometimes called "private new towns", consisting predominantly of housing for owner occupiers and built by private developers. Development of this sort could be outlined in local authority development plans and could lead to higher standards of planning and design than commonly result from "isolated" private building. However, it could not be significant on more than a sub-regional scale.

** Ray Thomas, *Aycliffe to Cumbernauld. A Study of Seven New Towns in their Regions*. PEP Broadsheet 516. December, 1969.

- 118 New towns have proved particularly successful in attracting sizable complexes of modern growth industries, and these in turn have brought professional and entrepreneurial talents into the area. Glenrothes, for example, brought the electronics industry to Scotland, thus helping to retain Scottish entrepreneurs and attract others from England and the USA. The absence of this entrepreneurial tradition has been one of the crucial factors in the less prosperous regions, just as its presence in the south and the Midlands has been an important element in their growth. New towns combined with other public investment, in education, research institutions and so on, can be a powerful stimulus in this respect. Yet of the 28 Ministry of Technology research establishments, 19 are in the South-East, together with 8 of the 16 United Kingdom Atomic Energy Authority's research establishments. The distribution of such research establishments, of laboratories and of university development could certainly favour the less prosperous regions to a greater degree than in the past, as the introduction of professional employment will tend to have beneficial effects on income and on the standard of infrastructure and services, as well as on the occupational structure of these regions. In Scotland the changes are beginning to become apparent.

The aim is not, of course, to deprive the prosperous regions of professional talent, but to create the conditions in other regions that will be conducive to its growth there as well.

As Ray Thomas has argued, new areas of population will be gaining employment at a time when employment in many parts of the country will be declining.* Thus, it is all the more important to ensure that major new expansions, liable to attract industry and population from other regions, are not started in the South-East, and that such expansion schemes as are planned in the South-East are planned merely with a view to housing natural increase and migration from the capital to ease the housing problem and to prevent the aggravation of the employment imbalance of the London conurbation—which doubled between 1951-66 and now involves 450,000 daily journeys to work into the GLC area from outside.

- 119 This raises another important question—that of office employment. It is most important that even greater efforts should be made to decentralise this type of employment, not only to prevent

* *London's New Towns.*

London's employment imbalance from worsening, but also to provide more of this secure and relatively well-paid employment in other regions. With a level of 50 per cent owner occupation being officially aimed at in the present generation of new towns (compared with 10 per cent in the original London new towns) the importance of a fair share of such employment to serve the new towns of the less prosperous regions is obvious.

Development areas have a "low share, even within their traditional industries, of what is now the only major fast growing sector of employment—white collar jobs for men and women in offices of all kinds."* In 1966 46 per cent of the economically active population of the South-East was in white collar jobs, compared with 35 per cent in other regions. This employment group had increased in the previous five years by more than the aggregate of net growth in all occupations in Great Britain.

The government has made a welcome attempt to decentralise some of the important sources of office employment within its control—the Giro, the PAYE centres, the Ministry of Transport and Inland Revenue computer centres, etc.—but the pressure should be maintained. It would be useful to follow the French practice of requiring all government establishments—civil, military, cultural, social, scientific, technical or industrial—to list the location of their operations and to decide for which of these a London or South-Eastern situation is a necessity.

Serious consideration should also be given not only to applying office development controls even more rigorously, but also to attracting private commercial development to the development areas through government-built advance office blocks in selected sites, and to examining other ways of encouraging the growth of office employment in these regions.

120 If this policy of allowing priority to the new towns programme in the less prosperous regions is accepted, two main issues remain to be settled:

- (a) the methods to be employed in catering for the development that, despite this, will necessarily take place in the South-East;
- (b) the actual location of new town development in the less prosperous regions.

* *Aycliffe to Cumbernauld*, p. 945.

- 121 On the first point we recognise the logic of the arguments put forward by the Town and Country Planning Association* in favour of planned development in the OMA—the belt stretching from the Green Belt to about 40 miles out of London. This area has for some time been by far the fastest growing area of the South-East in terms of population increase. Throughout the 1951-66 period all the OMA sub-divisions grew at a faster rate than all the OSE sub-divisions with the result that, whereas the OMA had almost exactly the same total population as the OSE in 1951, it was 20 per cent larger by 1966. While it is true that the overall differential in percentage terms between the growth of the OMA and the OSE narrowed in the period 1961-66, largely as a result of the rapid development of new towns during the 1950s, the OMA was still growing more rapidly in terms of numbers during the latter period.

Projections of population increase in the South-East show an estimated increase in the OMA of 12.4 per cent for the period 1971-81, compared with an increase of 3.2 per cent for the OSE, although two of the six sub-divisions have very large projected increases. It is only when the anticipated effects of net migration, resulting largely from the planned countermagnets, are added in that the projected increase for the OSE rises above that for the OMA.**

Industry has also been expanding in the OMA although there remains a serious imbalance between residents and employment which results in one in six of the employed population of the OMA working in Greater London.

These findings tend to support the argument of the Town and Country Planning Association that present policies, trying to push growth into the distant South-East, are not preventing growth from taking place in the OMA but merely preventing this growth from being planned. Many of the new developments are scattered and badly served by roads, utilities and community facilities, and there is a tendency for public overspill and private development to be located in different places, thus causing not only a polarisation of social communities but a wasteful use of

* See, for instance, *Planning and Housing in London and South-East England* (Town and Country Planning, January, 1967) and *Planning for the South-East of England* (Town and Country Planning, September, 1968).

** See F. J. Stilwell, *South-East Study of Sub-Divisions*, HMSO, 1969.

public investment. The area should therefore be seen as an integral part of the London region and as a zone which could both provide a measure of relief to London housing lists—as this would be likely to be a more attractive location for families moving from London than towns in the outer South-East—and, by bringing the public and private streams of migration together, allow economies to be obtained in the provision of infrastructure. There would also be a better chance of protecting the countryside in this area if coherent and community-forming development took place rather than sprawling housing provision, unrelated to the environment or to industry. The fact that London would remain the centre for many specialised facilities would mean that these developments would never become more than secondary centres, but the savings deriving from fewer expensive major schemes in the OSE might allow rather more to be spent on public infrastructure investment and in terms of social capital in the OMA—thus creating better communities and perhaps encouraging local authorities in the area to modify their opposition to development.

Development in the South-East would, therefore, centre on a different type of new town from those in the less prosperous regions or in relatively remote areas. South-East new towns would be likely to have a much higher proportion of private building than previous new towns and if they were so located as to succeed without difficulty (e.g. in the OMA) they would also yield larger and quicker returns to the Exchequer. This would enable the returns from the more prosperous new towns to help pay for those in the less prosperous regions.

- 122 While broadly agreeing with this thinking we would hope that the system of industrial controls and incentives we suggested earlier would encourage a fair amount of industry to move from this zone and from the South-East as a whole to the less prosperous regions, and that the development of more major new towns in these regions would enable a wide enough range of new jobs, homes and facilities to be provided to attract population from the south. Movement could certainly be helped by the sense of excitement that we are sure will grow as the north changes from an old and depressed area and as more people discover the attractions of Wales.

- 123 While future South-Eastern and, perhaps, Midland new towns may be different from those in the less prosperous regions in that levels of owner occupation may be higher and the part played by private enterprise building larger, and while they may be rather

less self-contained than previous new towns, they should nevertheless remain public new towns in the sense that private development takes place within a framework of public ownership and planning. There are too many drawbacks to "private new towns":*

- (a) They would inevitably cater primarily for owner occupiers and fail to provide the rented housing at reasonable prices that is necessary for the initial (fairly young) population, and that is essential if the new towns are to offer relief to a proportion of those in the greatest housing need. It is at a later stage of development that the emphasis needs to change to owner occupation.
- (b) They would consequently cater substantially for commuters, partly because they would be unable to organise the required movements of industry and other employment, and partly because it would be those with relatively secure and well-paid jobs in the conurbation that would be able to buy homes. This would militate against the aim of new towns to be better balanced in terms of population and jobs than existing settlements.
- (c) Private new towns would be unlikely to take a long enough view of the development opportunities for the town as a whole.
- (d) Private new towns would only be built in locations where profits could be assured, i.e. in the prosperous regions. This would therefore cream off the profits from increasing land values and commercial development, preventing these from being used to finance new town development in the less prosperous regions.
- (e) It would not be possible or desirable for private developers to provide all the infrastructure of roads, power and water supplies, sewage facilities and community facilities, let alone social service provision, that is necessary. With these provided publicly why should the profitable elements of the new town be hived off to private enterprise?

"Public enterprise," as Peter Self has written, "is essential for designation of the area, acquisition of the land, provision of the infrastructure and social facilities, attraction of industry and offices and overall planning and development control—as well as for that portion of the actual development which cannot be well

* See Peter Self, Papers for the 1969 TCPA Conference and Town and Country Planning, January, 1970.

done, or done at all, on a profit basis. The idea that private capital might own and develop the town is full of snags. The result would probably be a town that was too small in scale and lopsided in structure, containing a high proportion of owner-occupiers, mostly commuting elsewhere to work. There is scope for developments of this kind, but they are not new towns. The promoters of such a town cannot be expected to take the sort of long broad view that a genuine new town requires. Letchworth and Welwyn Garden City are the only relevant examples in Britain. Both were built by idealists who were prepared to wait a long while to get any return on their capital."*

- 124 What is required in the South-East, therefore, is a structure for development and a method of recouping land and commercial profits for the benefit of the new towns programme as a whole. After the strategies put forward by the South-East planning council and the Standing Conference on London and South East Regional Planning, the South East Joint Planning Study was set up. It was commissioned by the planning council, the standing conference and the government and works under the chairmanship of the Ministry of Housing's chief planner. It is hoped that this team may be able to produce the required development strategy.

- 125 The final point to be considered in this section is the location of new towns in the less prosperous regions. The types of location that we consider to be suitable for new towns acting as regional or sub-regional growth generators were described in paragraph 70. Is there, besides these "normal-sized" new towns, a need for major new poles of growth?

The case for such major developments is in two parts. Projected national population figures—suggesting an increase of over 10 million by the end of the century—make a national strategy of population distribution essential. Without major new poles of growth, capable of drawing population and employment from other regions, a large part of this increase may be absorbed into existing conurbations, leading to a deterioration in environment and higher congestion and other costs. Secondly, strategic placing of these new poles of growth—Humberside, Severnside, and Tay-side or the Solway have been suggested—would provide genuine counter magnets to the pull of London and Birmingham.

* Town and Country Planning, January, 1970, p. 6.

On the other hand, it can be argued that the new towns programme as we know it, together with reasonable town expansion, will be quite adequate for coping with population increase and that existing cities are as effective countermagnets as it is currently possible to have. The pull of London will be reduced when more offices are decentralised and more modern industries located in the north and west. Major development on Humber-side or Severnside will be of little direct benefit to those areas that currently need more jobs and more public investment. It would be more sensible, therefore, to concentrate on ordinary new town development located nearer to the existing areas of need.

A good case can be made out for both these views. We consider that more needs to be known about the feasibility of really large poles of growth and the economies of urban size and structure in general, and about the characteristics and likely sphere of economic influence of any particular location, before a decision in principle can be taken on this issue. The government's Unit for Environmental Planning has completed a study of Humberside and one of Severnside is in hand, while a study of Tayside is being conducted by the Scottish Office. These, together with the Long Term Population Distribution study being prepared by an inter-departmental group, will add to knowledge of these matters.

CHAPTER VI

CENTRAL, REGIONAL AND LOCAL PLANNING

- 126 The analysis and suggestions that we have made point clearly to the advantages that could result from developing a regional level of planning and action. The disparities and differences that exist between the economic structure, the physical characteristics, the social customs and composition and the levels of social and economic welfare of the various regions point to the need to maintain regional planning divisions along something like the present lines and to develop planning and perhaps administrative or executive functions at this level.
- 127 The region is the level of interaction in many ways, the level at which coherent patterns become discernible and the coordination of different policies rewarding. It is at the regional level that the needs of industries—transport, trained manpower, and so forth—can be best related, and input/output relationships and other linkages analysed without, as may happen from a national viewpoint, losing sight of the effects of various factors on individual firms and the consequences of various policy measures for them. The region can act as the link between central and local plans and between other central and local relationships and it is also the level at which the economic and physical components of a plan can be best integrated. As Prof. Lichfield has argued, "It is at the regional level that the economic and physical can be fused to a greater degree than is possible at either the national or local level. As such the Regional Plan will have more spatial content than the National Plan, for it will show locations of proposed investments, but it will have more economic content than the local plans because it can have better regard to resources."* With public investment also the region may provide a guide both to relative needs and to the efficacy in terms of costs and benefits of the total action programme.

Thus there is scope for more action at regional level without depriving central government of its right to design policies and fix priorities and to implement those policies upon which it does

* *Scope of the Regional Plan*, Regional Studies I, 15.

decide. This could improve the coordination between different sets of policies which has always been a difficult problem. It is often possible that policies may be rightly conceived but that, in emphasis or in timing, the manner in which they mesh in with one another is imperfect so that their cumulative effect is not as great as it should be. Jeremy Bray has described one aspect of this process: "... it is the age-old experience of government, and indeed of administration generally, that remote control—disinterested perhaps, but unaware, ill-informed, and not involved—cannot work satisfactorily. The way the chips fall in a particular area from a series of separate national programmes in education, housing, transport, employment, industrial development, taxation and subsidy does not by any means necessarily represent a coherent and balanced course of local community development. The absurdities, so obvious at a local level, get lost in the national view and produce great frustration locally. . . . The picture that emerges is not one of neglect, but of a certain ineptitude and clumsiness from central government."*

- 128 The vantage point of the region should be exploited, therefore, both for the purpose of improving planning and for that of improving administration. A number of permutations are, of course, possible from the combination of the activities, planning and administration, with their levels, central and regional. In France most aspects of the plan-making process are concentrated centrally while administration and advisory bodies have been progressively decentralised. The Prefectorial system upon which this decentralisation largely rests is not, however, readily adaptable to British circumstances and traditions and there is always a danger of accentuating a feeling that planning is being imposed rather than being opened out to public scrutiny and involvement. There is also the danger that a centralised process of regional plan-making will be unable fully to appreciate regional conditions, aspirations and frustrations. This point becomes still more important when the plan is to contain physical as well as economic elements.
- 129 If the advantages of recognising the interactions that exist at regional level are accepted, along with our earlier analysis and recommendations, then the approximate contents of a regional plan become clearer. These are listed below:
 - (i) study of the region's resources—land and natural resources, population and manpower, capital and entre-

* Jeremy Bray, *Decision in Government*, 1970, pp. 148-9.

preneurship—together with its regional and inter-regional industrial linkages, input/output relationships, travel-to-work patterns, and so forth;

- (ii) analysis of problems and needs, e.g. shortages of jobs and particular sorts of jobs, of manpower and particular skills, of transport facilities, housing, education and other social service provision, water and power resources, etc.;
- (iii) working in existing plans and programmes for the future, e.g. for roads, hospitals, new towns, universities, together with the plans of the nationalised industries;
- (iv) gathering information on the future plans of the private sector both directly and from known future investment plans, from share of the market targets, from analysis of regional, national and international growth rates and trends, from input/output linkages and so on;
- (v) examination of changes that are likely to affect the present structure, e.g. demographic trends, changes in education, technology, social habits, investment;
- (vi) working out the likely rates of expansion in sectors at given growth rates on the basis of examined linkages, and the consequences of this for job creation, public expenditure, etc.;
- (vii) analysis of the necessary action to be taken on incentives to industry (including guide-lines on the types of industry and employment most needed), retraining, infrastructure development and the like;
- (viii) land use pattern—agricultural land, water, areas of natural beauty and tourist attraction, communications, areas suitable for population and industrial growth.

130 This is necessarily only a rough sketch of some of the main features we would expect of a regional plan. Its broad aims are clear:

- (i) to enable each region to assess its position, problems and potential with some accuracy and demonstrate what it can do to raise the economic and social conditions of its inhabitants and the quality of its physical environment;
- (ii) to show, in more detail than would be possible in a national plan, what the region can contribute to national economic and social objectives;
- (iii) to help central departments to judge which are the areas of greatest need and what are the most effective methods of tackling their problems in a coordinated programme;
- (iv) to provide a physical plan of future settlement patterns and the basis for coordinating local plans;

- (v) to extend the part that the nationalised industries play in the planning process and to bring the private sector into this process.

The planning process would be characterised by continuing consultations between the region and the government, local authorities, nationalised industries, public agencies and private industry. Substantial reworking would be necessary to test the plan in various ways as it was built up, and when complete, in terms of different costs and benefits, in other technical terms and, we would strongly recommend, in terms of public reaction. Instead of trying to silence opposition, encouragement should be given to those with ideas about matters of concern to the plan to express them. Encouragement should also be given to universities and other institutions in the region to initiate research and ideas and to put forward strategies.

- 131 Developments in planning along these lines would do much to strengthen regional policy and the whole planning process. They would bring together the economic and physical sides of planning and the private and public sectors of industry.

A strengthening of present departmental and advisory machinery would be one way of carrying out the recommendations that we have made with respect to planning and other aspects of regional policy. Such a course would involve the development of stronger regional organisations by departments (as is already happening in the DEP with respect to manpower policy, and in certain other departments), and an expansion of the resources available to the planning councils, especially in terms of planning staff qualified in the necessary disciplines.

- 132 An alternative method of carrying out our recommendations would be through the development of a more democratic structure at regional level. It would also be possible to conceive almost any number of more or less uncomfortable halfway houses between the purely advisory and the clearly democratic. The consideration of these alternative forms of advisory, administrative or executive machinery was not within the scope of this report. It would require a study of its own for all the factors involved to be treated in more than a cursory manner. Nevertheless, the case for regional activity in the areas covered in this study is clearly a matter to which the closest consideration should be given, and we trust that the Crowther Commission on the Constitution will take this fully into account in reaching its conclusions.

Appendix 1

LIST OF GOVERNMENT REGIONAL MEASURES

I Basic Implements of Policy

1 Development Areas Under the Industrial Development Act 1966, broader development areas replaced the narrow and scattered development districts. Development areas, unlike districts, are designated on the basis not simply of unemployment but also of migration and other evidence of slow economic growth. The development areas cover Merseyside, the Furness peninsula, the Northern region, nearly the whole of Scotland and Wales, and most of Cornwall and north Devon. They cover about half the land area of Great Britain and contain about one-fifth of its employees. Northern Ireland is not classed as a development area but the Stormont government has extensive powers to help firms wishing to set up there.

2 Special Development Areas Certain parts of the development areas suffering, or likely to suffer, particularly high and persistent unemployment, usually as a result of colliery closures, were designated administratively as special development areas in November, 1967.

3 Intermediate Areas The Local Employment Act 1970 enabled some development area benefits to be given to intermediate areas. Parts of north-east Lancashire, the Yorkshire coalfield, north Humberside, the Notts/Derbys coalfield, south-east Wales, Plymouth and Leith have been so designated. These areas contain about one-twentieth of the employees in Great Britain.

4 Derelict Land Clearance Areas were also designated under the 1970 Local Employment Act. They comprise the North-West and Yorkshire and Humberside regions and the north Staffordshire and Notts/Derbys sub-regions.

5 Industrial Development Certificate Control Firms wishing to expand industrial premises by more than 3,000 sq. ft. in the South-East and the Midlands, or by more than 5,000 sq. ft. in the remainder of the country, must (besides planning permission) obtain an IDC from the Ministry of Technology. A firm wishing to set up or expand outside a development area must satisfy the ministry that there are reasons why it should not instead locate in a development area, while firms wishing to set up or expand in a development area will, in general, be favourably regarded for an IDC. The White Paper *The Development Areas* made the point, however, that firms contemplating expansion outside the areas of high employment in the Midlands and South-East, but not within the development areas, "should not be deterred from applying for IDCs because of a

mistaken belief that their applications will be treated on the same footing as those from firms wishing to expand in areas of high employment" (Cmnd. 3310 para. 50). As a result of the Local Employment Act 1970, intermediate areas also command priority in terms of IDC policy.

6 Office Development Permit Control Permits for office development (under the Control of Offices and Industrial Development Act 1965) are required for office development (except for ancillary office accommodation covered by an IDC) of more than 3,000 sq. ft. in Greater London and 10,000 sq. ft. in the rest of the South-East and the urban parts of the East and West Midlands.

7 Regional Economic Planning Councils and Boards Councils and boards were established during 1964-65 in Scotland, Wales and the eight English planning regions. Similar machinery was established in Northern Ireland. The councils (nominated members) are charged with studying the needs and potentialities of their region, with giving regional advice to the government and with working out overall economic strategies for future development. The boards (civil servants) are responsible for coordinating the work of central government departments at regional level and with assisting the councils in their work.

II Measures of Assistance

A. Development Areas

1. Since September, 1967, a *Regional Employment Premium* of up to 30s. per week per employee has been payable to manufacturers in development areas. The minimum period of the scheme is seven years.
2. *Investment Grants* introduced with effect from January, 1966, for approved expenditure on plant, machinery and certain other assets. Rate of grant is 40 per cent in development areas compared with 20 per cent elsewhere (moderated by corporation tax).
3. *Building Grants* of 25-35 per cent for projects providing sufficient new employment.
4. Financial assistance through *general loans and grants* (or government share subscription) for projects providing sufficient new employment on the advice of the Ministry of Technology Advisory Committee.
5. Assistance from the DEP towards *training costs* (including costs of setting up a firm's own training school); the provision of instructors for semi-skilled engineering processes; special free courses at government training centres which have been increasingly oriented to development area needs. Grants are also available through the Industrial Training Boards.

6. DEP assistance towards *transfer expenses* of key workers moving with their employers to a development area. Assistance is also available to help with housing for workers moving to development areas.

7. *Government Factories* are built by MinTech (acting through the Industrial Estates Corporations) either to suit the requirements of firms or in advance of known demand.

8. Local authorities in development areas receive an 85 per cent grant (plus rate support grant assistance) towards the cost of clearing *derelict land*. Grant is 75 per cent in the intermediate areas and derelict land clearance areas and 50 per cent in the rest of the country.

9. Local authorities in Scotland, Wales, the North and North-West regions and Devon and Cornwall enjoy a higher quota of *borrowing from the Public Works Loan Board* for longer-term borrowing. Local authorities in development areas are also allowed to lend to industrialists for factory building more easily and at lower rates of interest than those in the rest of the country.

10. *Initial building allowances* Expenditure by firms on the construction of industrial buildings is eligible for a 40 per cent initial tax allowance in development and intermediate areas compared with 30 per cent elsewhere. These allowances were raised from a standard rate of 15 per cent in all areas by the 1970 Budget. The higher allowances are applicable for two years only from April, 1970.

11. *Winter Works* Extra expenditure on public works and maintenance in the development areas has been authorised during the winter months.

12. *Hotels* in development areas enjoy a preferential rate of building grant and those in rural parts of the development areas are eligible for loans from the Development Commission and a full refund of SET. These are part of the measures to help tourism in general.

13. The Local Employment Acts empower ministries responsible for *basic services* (transport, power, heating water, sewerage, etc.) to give financial help for the provision of such services where this will contribute to industrial development in the development areas.

14. Certain schemes operate to give the development areas some preference in tendering for *public sector contracts*.

15. *The Highlands and Islands Development Board* was created in November, 1965, with wide powers to stimulate the development of these parts of Scotland.

B. Special Development Areas

All forms of assistance to the development areas are also available in special development areas together with :

1. *Rent-free periods* in government factories for up to five years for projects new to the area (compared with two years in development areas).

2. *Loans* towards the balance of building costs.
3. *Operational Grants* calculated at 10 per cent per annum for three years on the cumulative expenditure incurred on new buildings, plant and machinery (less building and investment grants).
4. The establishment or expansion of a number of *MinTech estates*.
5. *Advance factories* are replaced as disposed of, provided letting prospects remain reasonable.

C. Intermediate Areas

1. *Building grants and Government factory building* on the same terms and conditions as in the development areas.
2. Payments towards *transfer expenses* of key workers.
3. The full range of *DEP training assistance*.
4. Payments towards the cost of improving *basic services*.
5. 75 per cent grants to local authorities towards the clearance of *derelict land*.
6. *Initial building allowances* at 40 per cent during the two years from April, 1970.

D. Derelict Land Clearance Areas

1. 75 per cent grants to local authorities towards the cost of clearing *derelict land*.

E. Other Measures of Particular Benefit to Less Prosperous Regions

1. Assistance for the reorganisation of the *shipbuilding* industry was provided by the Shipbuilding Industry Act which came into force in June, 1967.
2. *Banks* have been requested to take account of the government's regional policy in their lending operations.
3. The *Industrial Reorganisation Corporation* has "regard to the regional aspects of the Government's policies for economic development." Firms are encouraged to concentrate their capacity in development areas when this can be done without significant loss of efficiency.
4. *Assistance for the Coal Industry.* Under the Coal Industry Act 1965, £415m. of the NCB's capital debt was written off. This Act and the 1967 Coal Industry Act also provided a two-thirds Exchequer

grant towards the social costs incurred by the NCB as a result of colliery closures and redeployment of manpower; a scheme to enable redundant miners over 55 to receive up to 90 per cent of their previous take-home pay for up to three years; Exchequer funds (of up to £45m.) to reimburse the electricity and gas industries for using extra coal; and Exchequer funds to reimburse the NCB for deferring colliery closures at the government's request.

5. Three *Aluminium Smelters* are being established in Britain, all in development areas. One has a long-term contract with the NCB for coal supply. In selected cases the government may authorise Electricity Generating Boards to negotiate special contracts for long-term *electricity supply* and would expect projects so assisted to be in the development areas.

6. The White Paper on *Public Expenditure* (Cmnd. 3515) announced that the government would continue to give special priority to the regeneration of the development areas.

7. Dispersal of *government offices* to development areas or adjoining areas.

Table 1

NOTES and Sources:

- Cols. (1) and (3): (a) the median is that which has an equal number above and below it.
 (b) full-time adults paid for a full week.
 (c) *D.E.P. Gazette, May, 1969, pp. 412-413.*
- Col. (2): *Family Expenditure Survey 1968, Table 36.*
- Col. (4): (a) the regional share of personal incomes of £5,000 and over (counting husband and wife incomes as one) as a percentage of the regional share of population (mid-1966).
 (b) by place of business except for civil servants who are allocated where possible by place of residence.
 (c) excludes armed forces personnel.
 (d) *Board of Inland Revenue. 111th Report.*
- Col. (5): (a) personal incomes before tax.
 (b) earned income includes Schedule D, Schedule E, wife's earnings, pensions and family allowances.
 (c) unearned income is investment income net of deductions.
 (d) population is the mid-1966 home resident population.
 (e) *Board of Inland Revenue. 111th Report.*
- Col. (6): (a) persons with at least 48 employed person national insurance contributions in the year.
 (b) by region of residence.
 (c) *Abstract of Regional Statistics No. 5, 1969, Table 53.*

Table 1—Selected Income and Earnings Statistics

New Standard Region	(1)		(2)	(3)		(4)	(5)	(6)	
	Median Weekly Earnings September, 1968		Average Weekly Household Income over two years 1967-68	Proportion Full-time Adults with Weekly Earnings less than £17 September, 1968		Regional Shares of Personal Incomes of £5,000 and over 1966-67	Average Unearned Income as % Average Earned Income per head 1966-67	Earnings Relative to Great Britain 1967-68	
	Male	Female		Male	Female			Male	Female
	£	£	£	%	%	U.K. = 100	%	G.B. = 100	G.B. = 100
South-East	25.2	14.0	32.65	11.4	70.0	153.0	8.2	—	—
G.L.C.	—	—	—	—	—	—	7.1	109.1	116.7
Rest of South-East ...	—	—	—	—	—	—	9.8	108.0	104.0
East Anglia	22.0	11.7	28.35	22.0	81.8	109.0	10.4	90.3	93.4
South-West	21.8	11.7	27.85	21.7	82.6	90.4	11.6	92.5	95.3
West Midlands	24.4	12.1	30.70	12.3	83.3	89.5	5.1	100.2	93.4
East Midlands	23.0	12.3	28.20	16.5	81.8	77.8	5.3	93.8	94.1
Yorks and Humberside ...	22.4	11.6	25.55	18.8	84.8	85.4	5.2	92.8	91.8
North-West	23.3	12.0	27.75	16.4	83.5	71.9	5.0	97.6	95.5
North	22.6	11.7	26.65	18.3	84.7	51.9	4.6	92.7	93.0
Wales	23.0	11.8	26.15	20.2	80.2	47.6	5.4	95.2	100.3
Scotland	22.4	11.8	27.75	21.6	81.3	79.0	7.5	93.1	97.8
Great Britain	23.6	12.5	—	15.8	78.5	—	—	£1,249	£622
Northern Ireland	—	—	24.65	—	—	40.2	5.1	84.6	101.3
United Kingdom	—	—	29.10	—	—	100.0	6.8	—	—

Table 2—Public Investment in New Construction

New Standard Region	1965-1966				1968-1969			
	Public Investment in New Construction	Share of U.K. Total	Regional Share of U.K. Population	New Construction per head of Population	Public Investment in New Construction	Share of U.K. Total	Regional Share of U.K. Population	New Construction per head of Population
	£ million	%	%	£	£ million	%	%	£
South-East	512.0	30.89	31.12	30.1	694.9	29.69	31.17	40.3
East Anglia	46.8	2.82	2.89	29.6	70.1	2.99	2.97	42.7
South-West	95.1	5.74	6.66	26.1	119.8	5.12	6.69	32.4
West Midlands	157.5	9.50	9.15	31.5	207.7	8.87	9.19	40.9
East Midlands	93.6	5.65	6.04	28.4	105.3	4.50	6.01	31.7
Yorks and Humberside...	133.9	8.08	8.65	28.3	212.4	9.08	8.68	44.3
North-West	161.9	9.77	12.28	24.1	248.9	10.64	12.23	36.8
North	83.0	5.01	6.07	25.0	160.6	6.86	6.04	48.1
Wales	99.1	5.98	4.94	36.7	120.7	5.16	4.92	44.4
Scotland	222.5	13.42	9.49	42.9	322.9	13.80	9.39	62.2
Northern Ireland	52.0	3.14	2.71	35.1	76.9	3.29	2.71	51.3
United Kingdom	1,657.4	100.0	100.0	30.3 average	2,340.2	100.0	100.0	42.3 average

NOTES: (a) public investment in new construction in roads, fuel and power, hospitals, dwellings, education and other social and environmental services.

(b) excludes amounts unallocated.

(c) 1968/9 figures are preliminary.

Source: *Abstract of Regional Statistics No. 5. 1969. Table 25.*

Table 3—Selected Employment Statistics

New Standard Region	(1)		(2)			(3)						
	Change in Employment 1961-66		Activity Rates June, 1968			Unemployment Relative to U.K.						
	Total	Male	Male and Female	Male	Female	1963	1964	1965	1966	1967	1968	1969
	%	%	%	%	%	U.K. = 100	U.K. = 100	U.K. = 100	U.K. = 100	U.K. = 100	U.K. = 100	U.K. = 100
South-East	+5	+4	59.7	77.9	43.4	62	59	60	63	68	64	64
East Anglia	+13	+11	48.5	64.6	33.1			87	88	84	80	76
South-West	+6	+4	47.0	63.5	32.2	81	88	107	113	100	100	108
West Midlands	+6	+5	60.2	78.4	42.6	77	59	60	81	100	88	80
East Midlands	+6	+4	56.3	74.1	39.3			60	69	72	76	80
Yorks and Humberside...	+3	+2	56.1	74.7	38.8			73	75	84	104	104
North-West	+1	0	58.1	75.9	42.1	119	124	107	94	100	100	100
North	+2	-1	51.8	70.0	34.8	192	194	173	163	160	188	192
Wales	+3	-1	47.1	65.6	30.1	139	153	173	181	164	160	164
Scotland	+1	-2	56.4	74.5	40.4	185	212	200	181	156	152	152
Great Britain	+4	+2	—	—	—	96	94	93	94	96	96	96
Northern Ireland ...	—	—	48.9	64.0	35.2	304	388	407	381	308	288	292
United Kingdom ...	—	—	56.2	74.1	39.8	2.6	1.7	1.5	1.6	2.5	2.5	2.5

NOTES and Sources:

- Col. (1): (a) employees by place of work, including unemployed by place or residence, but excluding self-employed and armed forces.
 (b) *The Intermediate Areas, Cmnd. 3998, Appendix C.*
 Col. (2): (a) employees as a percentage of the home population aged 15 years and over.
 (b) *Abstract of Regional Statistics, No. 5, 1969, Table 11.*
 Col. (3): (a) annual average percentage rates of total registered unemployed as a percentage of the United Kingdom rate.
 (b) the United Kingdom figures (in italics) show the actual percentage rates on which the relatives are based.
 (c) *Abstract of Regional Statistics, Table 13 and D.E.P.*

**Table 4—Industrial Development Certificates and Job Creation
in the Development Areas**

	1960-1964 (Five Years)		1965-1969 (Five Years)	
	Development Areas' Total	% Great Britain	Development Areas' Total	% Great Britain
I.D.C.s Approved: Number	2,470	19·4	4,607	23·1
I.D.C.s Approved: Thousand Square Feet ...	83,456	28·7	153,639 (146,046)	34·1 (41·8)
Estimated Additional Employ- ment: Total... ..	237,700	42·9	334,100	49·4
<i>Of which: Male</i>	166,600	44·7	217,100	48·8

NOTES: (a) projects over 5,000 sq. ft.

(b) additional employment is that estimated by the companies concerned to arise when the projects are fully manned.

(c) since the introduction of the Industrial Development Act in August, 1966, the area of industrial building has been extended to include all ancillary space. The figures in brackets give the area (or percentage) which would have been approved on the old basis. In Scotland, Wales and the Northern region the area approved was already for the broader coverage now used in the other regions.

Source: Ministry of Technology.

Table 5—Estimated Additional Employment from IDC Approvals

New Standard Region	1960-1964 (Five Years)	1965-1969 (Five Years)	Percentage Increase or Decrease
	000s	000s	%
South-East	126·8	91·4	-27·9
East Anglia	22·0	32·6	+48·2
South-West	35·3	41·9	+18·7
West Midlands	29·7	34·2	+15·2
East Midlands	22·1	30·4	+37·6
Yorks and Humberside	34·6	51·4	+48·6
North-West	101·0	111·4	+10·3
North	70·7	96·1	+35·9
Wales	37·3	80·2	+115·0
Scotland	74·8	106·2	+42·0
Great Britain	554·5	675·8	+21·9

NOTE: See Notes to Table 4.

Source: Ministry of Technology.

Table 6—Selected Health Statistics

New Standard Region	(1)	(2)		(3)	(4)	(5)	
	Average List Size of G.Ps 1968	% G.Ps in Region with Lists		Average Number of Prescriptions per Person 1968	Persons per Dentist 1968	Dental Condition % Regional Population	
		under 1900	3,000 and over			with some natural teeth	with no natural teeth
South-East	2,442	21.2	22.0	5.34	3,357	71.6	28.4
West Midlands	2,660	14.5	33.6	5.36	6,238	66.1	33.9
East Midlands	2,636	13.1	29.3	5.22	6,254		
East Anglia	2,312	24.1	15.4	5.51	5,464		
South-West	2,217	30.7	9.8	5.81	4,127	56.8	43.2
Wales	2,231	29.9	11.2	7.29	6,596		
North	2,499	16.7	23.7	5.98	6,221	54.5	45.5
North-West	2,595	15.4	29.1	6.21	5,488		
Yorks and Humberside...	2,587	16.5	28.8	5.95	5,915		
England and Wales ...	2,477	20.0	23.3	5.71	4,561	63.2	36.8

NOTES and Sources:

Cols. (1) and (2): *Annual Report of Department of Health and Social Security for 1968. Cmnd. 4100. Table 8.*

Col. (3): (a) per person on N.H.S. prescribing list.

(b) *Cmnd. 4100. Table 14.*Col. (4): *Cmnd. 4100. Table 23. Part 2.*Col. (5): *Adult Dental Health in England and Wales in 1968. Government Social Survey H.M.S.O. 1970.*

Table 7—Selected Education Statistics

New Standard Region	(1)		(2)				(3)
	% Pupils aged 16 still at School		Pupils per Teacher January, 1968				% Pupils in Independent Schools January, 1968
	1965	1968	Primary	Secondary	Independent	All Schools	
South-East	28.2	35.5	—	—	—	—	—
G.L.C.	—	—	27.8	17.1	14.5	21.1	6.3
Rest of South-East	—	—	27.8	17.8	12.2	20.9	9.6
East Anglia	17.5	23.7	25.7	17.9	13.3	20.9	5.8
South-West	23.2	29.6	27.6	18.3	11.5	21.0	8.3
West Midlands	20.2	25.6	27.8	18.2	12.4	22.1	3.9
East Midlands	19.0	24.0	28.3	18.3	13.1	22.6	3.4
Yorks and Humberside	19.7	26.1	28.2	18.6	13.1	22.8	2.2
North-West	19.8	24.3	29.4	18.3	15.8	23.1	2.7
North	16.6	22.4	28.5	19.2	14.0	23.2	3.0
Wales	27.4	32.7	25.3	18.5	13.3	21.6	2.4
England and Wales	—	—	27.9	18.1	12.8	21.9	5.3
Scotland	20.4	25.7	—	—	—	—	—
Northern Ireland	11.1	16.4	—	—	—	—	—
United Kingdom	22.2	28.2	—	—	—	—	—

NOTES and Sources:

- Col. (1): (a) pupils in maintained schools as a percentage of those aged 13 three years earlier.
 (b) *Abstract of Regional Statistics No. 5, 1969, Table 63.*
- Cols. (2) and (3): (a) those independent schools recognised as efficient.
 (b) *D.E.S. Statistics of Education 1968, Vol. 1. Table 2.*

Table 8—People with Education beyond age of 20

Old Standard Region	% Regional Population over 15 in 1961	
	Male	Female
Northern	2·8	2·5
East and West Ridings	2·6	2·2
North Western	2·8	2·3
North Midland	2·8	2·2
Midland	2·9	2·3
Eastern	3·9	2·9
London and South Eastern	4·7	3·3
Southern	4·8	3·4
South Western	4·0	3·1
Wales	4·1	3·3
Scotland	3·7	3·3
Great Britain	3·6	2·8

Source: 1961 Census.

Table 9—Selected Housing Statistics

New Standard Region	(1)	(2)	(3)
	Slums as % of Total Stock of Dwellings 1965	Houses demolished or closed 1965-1969	Dwellings for which Improvement Grants approved 1-1-69-30-9-69
South-East	2·1	49,891	18,496
East Anglia	3·7	8,722	4,338
South-West	2·0	12,147	6,883
West Midlands	6·4	52,312	8,249
East Midlands	4·9	21,517	6,546
Yorks and Humberside	8·6	58,265	12,588
North-West	12·6	89,831	10,129
North	5·2	34,047	7,517
Wales	4·6	12,687	4,103
Scotland	5·9	—	12,419

Sources: Col. (1) *Housing Statistics, Great Brita No. 1, 1966, p. 39.*

Cols. (2) and (3) *Housing Statistics, Great Britain No. 16, 1970, Tables 31 and 36.*

Table 10—Location of Industrial and Scientific Research Units: 1964

New Standard Region	Governmental	Industrial Firms	Universities	Total
South-East	191	441	236	868
East Anglia	18	23	17	58
South-West	11	34	27	72
West Midlands	14	77	38	129
East Midlands	9	30	52	91
Yorks and Humberside	15	39	63	117
North-West	10	67	63	140
North	3	34	34	71
Wales	5	18	55	78
Scotland	36	46	66	148
Great Britain	312	809	651	1,772

NOTE: Industrial firms includes trade and professional associations. Universities includes colleges of advanced technology and technical colleges.

Source: Edwin Hammond, *An Analysis of Regional Economic and Social Statistics*, Table 2-6-3.

Table 11—Employment Imbalance in London

	Central Area		Rest of Inner London		Rest of Conurbation		Total	
	1961	1966	1961	1966	1961	1966	1961	1966
000s								
Employment	1,403	1,340	1,061	1,055	1,915	2,035	4,378	4,430
Residents in Employment ...	159	140	1,413	1,390	2,486	2,545	4,057	4,075
Imbalance	+1,244	+1,200	-352	-335	-571	-510	+321	+355

Source: P.E.P. Broadsheet 510. Table A.8.

Table 12—Dependence of South-East on Greater London for Employment

	Outer Metropolitan Area		Outer South-East	
	1961	1966	1961	1966
Number of Residents working in Greater London	355,600	394,900	37,100	39,700
As % economically active population	17·4	17·0	2·3	2·2
As % total inflow from South-East to Greater London	90·6	90·9	9·4	9·1

Source: F. Stülwell. *South East Study of Sub-Divisions. Tables 6-2 and 6-3.*

Table 13—Urban Land Use and Growth

Old Standard Region	Urban area as % total regional land area:1960-61	Percentage rate of urban growth: 1950-1960
London and South Eastern	35·6	2·1
North Western	28·7	1·8
East and West Ridings	14·2	0·9
Midland	12·7	1·4
Southern	9·7	1·6
North Midland	7·8	0·9
Eastern	6·9	1·4
Northern	5·9	0·5
South Western	5·0	0·5
Wales	4·4	0·2
England and Wales...	10·6	1·0

NOTE: Total land area includes inland water.

Source: *Journal of the Town Planning Institute*, April, 1967.

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